



OHIO AUDITOR OF STATE
KEITH FABER



**CITY OF NELSONVILLE
ATHENS COUNTY
DECEMBER 31, 2023**

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ATHENS COUNTY
DECEMBER 31, 2023**

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OHIO AUDITOR OF STATE KEITH FABER



65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

INDEPENDENT AUDITOR'S REPORT

City of Nelsonville
Athens County
PO Box 370
Nelsonville, Ohio 45764

To the City Council:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Nelsonville, Athens County, Ohio (City), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Nelsonville, Athens County, Ohio as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the City restated the Net Position at December 31, 2022 for the Business-Type Activities, Water Fund, Sewer Fund, and Nonmajor Enterprise Fund due to the identification of an understatement of accounts receivable. In addition, the City restated the Net Position at December 31, 2022 for Capital Improvements due to the identification of an overstatement of debt payable. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedules of Net Pension Liability/(Asset) and Other Post-Employment Benefit Liabilities/(Assets), and Schedules of Pension and Other Post-Employment Benefit Contributions be presented to supplement the basic financial statements. Such information is the responsibility of

management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2025, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

KEITH FABER
Ohio Auditor of State



Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

July 15, 2025

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City of Nelsonville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2023
Unaudited

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, 2023. 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 the year 2023 are as follows:

- In total, net position increased \$10,035,276. Net position of governmental activities increased \$506,534 from 2022. Net position of business-type activities also increased \$9,528,742 from 2022.
- In total, assets increased \$9,743,596; governmental activities assets increased \$443,378 and the business-type activities assets increased \$9,300,218.
- In total, liabilities increased \$1,834,526. Total liabilities of governmental activities increased \$823,255; the total liabilities of business-type activities increased \$1,011,271.

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 2023?" 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, 2023
Unaudited

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

- **Governmental Activities** – Most of the City's services are reported here including police, fire, administration, and all departments with the exception of our water, sewer, and sanitation services.
- **Business-Type Activities** – Water and sewer services have charges based on the amounts of usage. The City charges fees to recoup the cost of the entire operation of our water and sewer treatment plants, as well as all capital expenses associated with these facilities. The City also started sanitation services in 2021, the City charges fees to recoup the cost of the operations of the sanitation services.

Reporting the City of Nelsonville's Most Significant Funds

Fund Financial Statements

The basic governmental fund financial statements begin on page 18. 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 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 sanitation operations. For 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, 2023
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 2023 compared to 2022.

(Table 1) Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2023	Restated 2022	2023	Restated 2022	2023	Restated 2022
Assets						
Current and Other Assets	\$4,166,234	\$3,221,310	\$3,716,421	\$3,801,117	\$7,882,655	\$7,022,427
Capital Assets, Net	11,636,890	12,095,978	43,227,516	33,694,133	54,864,406	45,790,111
Net Pension Asset	8,142	4,610	20,935	15,437	29,077	20,047
Net OPEB Asset	0	45,990	0	153,967	0	199,957
<i>Total Assets</i>	<u>15,811,266</u>	<u>15,367,888</u>	<u>46,964,872</u>	<u>37,664,654</u>	<u>62,776,138</u>	<u>53,032,542</u>
Deferred Outflows of Resources						
Pension	1,333,257	995,386	574,477	293,429	1,869,793	1,184,092
OPEB	202,024	210,360	86,600	17,835	285,202	203,732
Asset Retirement Obligation	0	0	448,500	171,625	448,500	171,625
<i>Total Deferred Outflows of Resources</i>	<u>1,535,281</u>	<u>1,205,746</u>	<u>1,109,577</u>	<u>482,889</u>	<u>2,603,495</u>	<u>1,559,449</u>
Liabilities						
Current and Other Liabilities	299,971	354,161	1,938,583	2,042,933	2,238,554	2,397,094
Long-Term Liabilities:						
Due within One Year	89,727	100,629	378,343	333,915	468,070	434,544
Due in More than One Year						
Net Pension Liability	2,999,129	1,913,932	1,318,029	448,854	4,317,158	2,362,786
Net OPEB Liability	197,171	312,269	27,765	0	224,936	312,269
Other Amounts	702,901	784,653	14,606,003	14,431,750	15,308,904	15,216,403
<i>Total Liabilities</i>	<u>4,288,899</u>	<u>3,465,644</u>	<u>18,268,723</u>	<u>17,257,452</u>	<u>22,557,622</u>	<u>20,723,096</u>
Deferred Inflows of Resources						
Property Taxes	426,803	429,298	0	0	426,803	429,298
Pension	272,493	848,218	95,319	558,833	329,871	1,302,328
OPEB	261,113	239,769	9,486	159,079	267,177	374,385
<i>Total Deferred Inflows of Resources</i>	<u>960,409</u>	<u>1,517,285</u>	<u>104,805</u>	<u>717,912</u>	<u>1,023,851</u>	<u>2,106,011</u>
Net Position						
Net Investment in Capital Assets	10,935,755	11,292,503	27,194,496	17,847,754	38,130,251	29,140,257
Restricted	1,806,925	1,562,476	20,935	169,404	1,827,860	1,731,880
Unrestricted (Deficits)	(645,441)	(1,264,274)	2,485,490	2,155,021	1,840,049	890,747
<i>Total Net Position</i>	<u>\$12,097,239</u>	<u>\$11,590,705</u>	<u>\$29,700,921</u>	<u>\$20,172,179</u>	<u>\$41,798,160</u>	<u>\$31,762,884</u>

The net pension liability (NPL) is the largest single governmental liability reported by the City at December 31, 2023. GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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

City of Nelsonville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2023
Unaudited

Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability (asset) and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

Total governmental activities assets in total increased \$443,378. This is primarily due to increases in cash and cash equivalents, intergovernmental receivable, income taxes receivable, and property taxes receivable which are offset by a decrease in capital assets. The \$343,623 increase in income taxes receivable is due to the City using the Regional Income Tax Agency to track and collect income taxes within the City. Capital assets decreased in 2023 due to depreciation of assets.

Business-type activities assets increased \$9,300,218. This is primarily due to an increase in capital assets and accounts receivable. Capital assets increased mostly in part due to the construction of the sewer plant.

Governmental liabilities increased \$823,255 due primarily to an increase in net pension liability. Business-type liabilities increased \$1,011,271, due to an increase in long-term debt, contracts payable, net pension liability and net OPEB liability.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2023 and 2022.

City of Nelsonville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2023
Unaudited

(Table 2)
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program Revenues						
Charges for Services	\$298,755	\$202,111	\$3,586,027	\$3,741,163	\$3,884,782	\$3,943,274
Operating Grants, Contributions and Interest	268,991	1,044,690	0	0	268,991	1,044,690
Capital Grants and Contributions	175,910	0	9,570,483	6,449,973	9,746,393	6,449,973
<i>Total Program Revenues</i>	<u>743,656</u>	<u>1,246,801</u>	<u>13,156,510</u>	<u>10,191,136</u>	<u>13,900,166</u>	<u>11,437,937</u>
General Revenues						
Property and Other Local Taxes	491,139	487,982	0	0	491,139	487,982
Income Taxes	2,201,947	1,568,997	0	0	2,201,947	1,568,997
Grants and Entitlements	179,285	93,633	0	0	179,285	93,633
Interest	209,694	6,273	0	0	209,694	6,273
Contributions and Donations	0	325	0	0	0	325
Rent	10,242	0	0	0	10,242	0
Gain on Sale of Capital Assets	0	8,437	0	0	0	8,437
Other	112,674	178,188	129,148	29,497	241,822	207,685
<i>Total General Revenues</i>	<u>3,204,981</u>	<u>2,343,835</u>	<u>129,148</u>	<u>29,497</u>	<u>3,334,129</u>	<u>2,373,332</u>
Total Revenues	<u>3,948,637</u>	<u>3,590,636</u>	<u>13,285,658</u>	<u>10,220,633</u>	<u>17,234,295</u>	<u>13,811,269</u>
Program Expenses						
General Government	537,826	615,572	0	0	537,826	615,572
Security of Persons and Property:						
Police	1,166,540	1,004,197	0	0	1,166,540	1,004,197
Fire	695,366	634,429	0	0	695,366	634,429
Transportation	721,062	631,852	0	0	721,062	631,852
Leisure Time Activities	237,743	241,018	0	0	237,743	241,018
Community Environment	77,292	75,615	0	0	77,292	75,615
Interest	6,274	12,405	0	0	6,274	12,405
Water	0	0	2,028,384	2,245,217	2,028,384	2,245,217
Sewer	0	0	1,497,547	1,262,311	1,497,547	1,262,311
Sanitation	0	0	230,985	217,476	230,985	217,476
<i>Total Program Expenses</i>	<u>3,442,103</u>	<u>3,215,088</u>	<u>3,756,916</u>	<u>3,725,004</u>	<u>7,199,019</u>	<u>6,940,092</u>
<i>Increase in Net Position</i>	<u>506,534</u>	<u>375,548</u>	<u>9,528,742</u>	<u>6,495,629</u>	<u>10,035,276</u>	<u>6,871,177</u>
<i>Restated Net Position at Beginning of Year - Restated (See Note 3)</i>	<u>11,590,705</u>	<u>11,215,157</u>	<u>20,172,179</u>	<u>13,676,550</u>	<u>31,762,884</u>	<u>24,891,707</u>
<i>Net Position at End of Year</i>	<u>\$12,097,239</u>	<u>\$11,590,705</u>	<u>\$29,700,921</u>	<u>\$20,172,179</u>	<u>\$41,798,160</u>	<u>\$31,762,884</u>

Governmental Activities

Program revenues accounted for 19 percent of total revenues for governmental activities in 2023. The amount of program revenues decreased \$503,145 from 2022. This decrease is mainly due to the decrease in operating grants, contributions, and interest. Governmental activities services are primarily funded through general revenues, those basically comprising property taxes and income taxes. These revenue sources make up 84 percent of general revenues and 68 percent of total revenues.

City of Nelsonville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2023
Unaudited

Security of persons and property is a major activity of the City, representing 54 percent of the governmental expenses. During 2023, expenses for police and fire operations amounted to \$1,166,540 and \$695,366, respectively. These activities were, for the most part, funded by general revenues. The City attempted 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 continued to work hand in hand with the City to limit costs to the taxpayer.

Transportation, the City's next largest program, accounted for \$721,062 in expenses. These activities were partly funded through contributions and grant funding. The activities not covered through grants and contributions were funded through general revenues.

General government activities accounted for \$537,826 of governmental expenses, a decrease of \$77,746 from 2022. This is primarily due to the decrease in operating costs in the City Manager, Code Enforcement, City Auditor, and Income Tax departments.

Business-Type Activities

The City's water and sewer operations account for 94 percent of the expenses for the City's business-type activities and are funded from charges for services and capital grants and contributions. During 2023, program revenues exceeded program expenses by \$9,528,742 for all business-type activities.

The minimum water and sewer rates are \$24.99 and \$20.49, respectively, for the first 1,500 gallons of usage. Minimum water and sewer rates for communities outside the City's limits are \$36.82 for water and \$30.73 for sewer. The minimum sanitation rate is \$13.07 per residence per month.

THE CITY'S FUNDS

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

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

The City's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$3,730,139 and expenditures of \$2,948,582.

General Fund

The General Fund is the primary operating fund of the City. At the end of 2023, fund balance was \$1,417,663. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund disbursements. The General Fund's unassigned fund balance of \$1,380,808 represented 66 percent of total General Fund expenditures, while total fund balance represents 68 percent of that same amount. The fund balance of the General Fund increased by \$640,139 from 2022.

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For the Year Ended December 31, 2023
Unaudited

Other Major Governmental Funds

The fund balance of the Capital Improvements Capital Projects Fund increased \$61,809. The Capital Improvements Fund's spendable fund balance was \$265,297.

Enterprise Funds

The net position balance of the Water Enterprise Fund increased \$2,719,129, due mainly to an increase in capital assets. The Water Enterprise Fund has an unrestricted net position of \$1,348,439.

The net position balance of the Sewer Enterprise Fund increased \$6,799,565. This increase is mainly due to the increase in capital assets. The Sewer Enterprise Fund has an unrestricted net position of \$1,058,584.

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 2023, the City amended its General Fund appropriations several times, though 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 general government activities, the General Fund is monitored closely looking for possible revenue shortfalls or overspending by individual departments.

For the General Fund, final budgeted revenues were not amended. Final budgeted expenditures were decreased \$11,595 from the original amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2023, the City had \$11,636,890 in governmental activities and \$43,227,516 in business-type activities invested in capital assets. Table 3 shows year 2023 balances compared to 2022.

City of Nelsonville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2023
Unaudited

(Table 3)
Capital Assets at December 31, 2023

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$407,263	\$407,263	\$752,475	\$752,475	\$1,159,738	\$1,159,738
Construction in Progress	39,286	0	11,607,472	21,132,614	11,646,758	21,132,614
Land Improvements	2,853,339	2,988,560	620	815	2,853,959	2,989,375
Buildings and Improvements	1,581,276	1,580,294	0	0	1,581,276	1,580,294
Furniture, Fixtures, and Equipment	416,203	407,224	240,655	155,363	656,858	562,587
Vehicles	657,820	728,982	211,538	101,665	869,358	830,647
Infrastructure	5,670,797	5,969,115	30,414,756	11,551,201	36,085,553	17,520,316
Intangible Right to Use - Equipment	10,906	14,540	0	0	10,906	14,540
Totals	<u>\$11,636,890</u>	<u>\$12,095,978</u>	<u>\$43,227,516</u>	<u>\$33,694,133</u>	<u>\$54,864,406</u>	<u>\$45,790,111</u>

The assets of the City are reported at cost, net of depreciation/amortization. For additional information on capital assets, see Note 7 to the basic financial statements.

Debt

As of December 31, 2023, and December 31, 2022, the City had total long-term debt of \$15,019,046, and \$14,977,608, respectively, as follows:

(Table 4)
Outstanding Debt at December 31, 2023

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
OWDA Loans	\$16,550	\$19,667	\$6,183,712	\$5,810,079	\$6,200,262	\$5,829,746
OPWC Loans	469,335	513,427	617,463	681,515	1,086,798	1,194,942
Bonds	93,900	113,400	7,518,700	7,669,800	7,612,600	7,783,200
Leases	10,906	14,540	0	0	10,906	14,540
Police and Fire Pension Liability	42,292	45,106	0	0	42,292	45,106
Asset Retirement Obligation	0	0	559,000	519,000	559,000	519,000
Financed Purchases	108,480	155,180	0	0	108,480	155,180
Totals	<u>\$741,463</u>	<u>\$861,320</u>	<u>\$14,878,875</u>	<u>\$14,680,394</u>	<u>\$15,620,338</u>	<u>\$15,541,714</u>

For additional information on the City's debt, see Note 12 to the basic financial statements.

GASB Statement 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. Asset retirement obligations (ARO) of \$559,000 associated with the City wastewater treatment facilities were estimated by the City Engineer.

City of Nelsonville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2023
Unaudited

CURRENT ISSUES

The City of Nelsonville made a series of strong accomplishments in 2023. First, the financial outlook for the City continued to stabilize as the balances of funds and accounts grew for another consecutive year. These strengthening fund balances are part of a multi-year plan to recover from major theft and financial dysfunction that plagued City Hall some time ago. These changes also continue to put the community in the position to apply and qualify for bigger and better grants. This means the City can get the investment it has deserved for so long but has been unable to afford. The Finance Office updated its taxing processes and systems which resulted in increases in compliance and revenues.

Meanwhile, the City continues to invest a historic amount in infrastructure upgrades, trainings, and services. The new Sewer Plant is open and serves an entire region. Phase 3 of the Sewer project continues. Two separate phases of the water project continue to invest record amounts into water line and systems upgrades and efficiencies. Many of these upgrades are covered with large grants and onetime moneys that put Nelsonville into a competitive position for the 21st century.

All these changes assist the departments and leadership in stabilizing the ship and investing in our community. Further, the upgrades help us reduce waste and loss before they consume our precious resources. The Auditor's Office will continue to fight corruption and fraud and make it clear to everyone that their money is safe and that fraudsters will be held to account, immediately.

As reflected in the changing environment around the state and country, municipalities are facing shorter revenue gains and inflationary cost pressures. This comes after years of increasing state and federal funding that allowed for historic investments in infrastructure and services. The Finance Office has worked to communicate these changes to the Council and community so that the City can appropriately prepare for this environment. The City should work to find continued savings and efficiencies while ensuring full compliance with revenues and taxation. A conservative lens should color all major financial decisions in the coming 5 years to ensure that the community can count on growing and uninterrupted services from their City.

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. Should anyone have questions about this or other matters, you can contact Taylor Sappington, Nelsonville City Auditor, 211 Lake Hope Drive, Nelsonville, Ohio 45764 at 740-753-2233 or auditor@cityofnelsonville.com. You may also view every transaction at City Hall through the Ohio Checkbook program, which is linked at www.CityOfNelsonville.com.

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City of Nelsonville, Ohio
Statement of Net Position
December 31, 2023

	Governmental Activities	Business-Type Activities	Total*
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,897,319	\$3,000,796	\$5,898,115
Cash and Cash Equivalents in Segregated Accounts	5,010	0	5,010
Accounts Receivable	54,860	662,873	717,733
Intergovernmental Receivable	176,070	10,496	186,566
Income Taxes Receivable	467,531	0	467,531
Prepaid Items	35,835	32,156	67,991
Materials and Supplies Inventory	20,786	10,100	30,886
Property Taxes Receivable	503,945	0	503,945
Hotel Taxes Receivable	4,878	0	4,878
Nondepreciable Capital Assets	446,549	12,359,947	12,806,496
Depreciable Capital Assets, Net	11,190,341	30,867,569	42,057,910
Net Pension Asset	8,142	20,935	29,077
<i>Total Assets</i>	<u>15,811,266</u>	<u>46,964,872</u>	<u>62,776,138</u>
Deferred Outflows of Resources			
Pension	1,333,257	574,477	1,869,793
OPEB	202,024	86,600	285,202
Asset Retirement Obligations	0	448,500	448,500
<i>Total Deferred Outflows of Resources</i>	<u>1,535,281</u>	<u>1,109,577</u>	<u>2,603,495</u>
Liabilities			
Accounts Payable	64,625	41,587	106,212
Contracts Payable	1,964	1,017,098	1,019,062
Accrued Wages Payable	24,064	13,894	37,958
Intergovernmental Payable	8,256	8,473	16,729
Accrued Interest Payable	2,920	39,236	42,156
Unearned Revenue	198,142	0	198,142
Retainage Payable	0	696,047	696,047
Customer Deposits Payable	0	122,248	122,248
Long-Term Liabilities:			
Due within One Year	89,727	378,343	468,070
Due in More than One Year:			
Net Pension Liability	2,999,129	1,318,029	4,317,158
Net OPEB Liability	197,171	27,765	224,936
Other Amounts Due in More than One Year	702,901	14,606,003	15,308,904
<i>Total Liabilities</i>	<u>4,288,899</u>	<u>18,268,723</u>	<u>22,557,622</u>
Deferred Inflows of Resources			
Property Taxes	426,803	0	426,803
Pension	272,493	95,319	329,871
OPEB	261,113	9,486	267,177
<i>Total Deferred Inflows of Resources</i>	<u>960,409</u>	<u>104,805</u>	<u>1,023,851</u>
Net Position			
Net Investment in Capital Assets	10,935,755	27,194,496	38,130,251
Restricted for:			
Street Improvements	697,825	0	697,825
Parks and Recreation	37,742	0	37,742
Capital Improvements	281,085	0	281,085
Law Enforcement	69,149	0	69,149
Community Development	706,902	0	706,902
Unclaimed Monies	5,647	0	5,647
Other Purposes	433	0	433
Pension Plans	8,142	20,935	29,077
Unrestricted (Deficit)	(645,441)	2,485,490	1,840,049
<i>Total Net Position</i>	<u>\$12,097,239</u>	<u>\$29,700,921</u>	<u>\$41,798,160</u>

*After deferred outflows and deferred inflows related to the change in internal proportionate share of pension and OPEB related items have been eliminated.

See accompanying notes to the basic financial statements

City of Nelsonville, Ohio
Statement of Activities
For the Year Ended December 31, 2023

	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities				
General Government	\$537,826	\$74,163	\$0	\$0
Security of Persons and Property:				
Police	1,166,540	154,825	50,728	21,410
Fire	695,366	10,868	54,105	0
Transportation	721,062	0	144,728	154,500
Leisure Time Activities	237,743	58,899	9,189	0
Community Environment	77,292	0	10,241	0
Interest	6,274	0	0	0
<i>Total Governmental Activities</i>	<u>3,442,103</u>	<u>298,755</u>	<u>268,991</u>	<u>175,910</u>
Business-Type Activities				
Water	2,028,384	1,907,327	0	2,828,781
Sewer	1,497,547	1,437,667	0	6,741,702
Sanitation	230,985	241,033	0	0
<i>Total Business-Type Activities</i>	<u>3,756,916</u>	<u>3,586,027</u>	<u>0</u>	<u>9,570,483</u>
<i>Totals</i>	<u>\$7,199,019</u>	<u>\$3,884,782</u>	<u>\$268,991</u>	<u>\$9,746,393</u>

General Revenues

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

Total General Revenues

Change in Net Position

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

Net Position at End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
(\$463,663)	\$0	(\$463,663)
(939,577)	0	(939,577)
(630,393)	0	(630,393)
(421,834)	0	(421,834)
(169,655)	0	(169,655)
(67,051)	0	(67,051)
(6,274)	0	(6,274)
(2,698,447)	0	(2,698,447)
0	2,707,724	2,707,724
0	6,681,822	6,681,822
0	10,048	10,048
0	9,399,594	9,399,594
(2,698,447)	9,399,594	6,701,147
212,942	0	212,942
249,798	0	249,798
28,399	0	28,399
1,937,714	0	1,937,714
220,194	0	220,194
44,039	0	44,039
179,285	0	179,285
209,694	0	209,694
10,242	0	10,242
112,674	129,148	241,822
3,204,981	129,148	3,334,129
506,534	9,528,742	10,035,276
11,590,705	20,172,179	31,762,884
\$12,097,239	\$29,700,921	\$41,798,160

City of Nelsonville, Ohio
Balance Sheet
Governmental Funds
December 31, 2023

	General	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,124,271	\$235,924	\$1,531,477	\$2,891,672
Cash and Cash Equivalents in Segregated Accounts	5,010	0	0	5,010
Restricted Assets: Cash and Cash Equivalents	5,647	0	0	5,647
Receivables:				
Property Taxes	199,120	0	304,825	503,945
Income Taxes	411,427	46,753	9,351	467,531
Hotel Taxes	4,878	0	0	4,878
Intergovernmental Accounts	61,696	0	114,374	176,070
	21,418	0	33,442	54,860
Materials and Supplies Inventory	0	0	20,786	20,786
Prepaid Items	28,758	0	7,077	35,835
<i>Total Assets</i>	<u>\$1,862,225</u>	<u>\$282,677</u>	<u>\$2,021,332</u>	<u>\$4,166,234</u>
Liabilities				
Accounts Payable	\$16,010	\$0	\$48,615	\$64,625
Contracts Payable	0	0	1,964	1,964
Accrued Wages Payable	22,573	0	1,491	24,064
Intergovernmental Payable	7,466	0	790	8,256
Unearned Revenue	0	0	198,142	198,142
<i>Total Liabilities</i>	<u>46,049</u>	<u>0</u>	<u>251,002</u>	<u>297,051</u>
Deferred Inflows of Resources				
Property Taxes	167,888	0	258,915	426,803
Unavailable Revenue	230,625	17,380	160,073	408,078
<i>Total Deferred Inflows of Resources</i>	<u>398,513</u>	<u>17,380</u>	<u>418,988</u>	<u>834,881</u>
Fund Balances				
Nonspendable:				
Inventories	0	0	20,786	20,786
Prepaid Items	28,758	0	7,077	35,835
Unclaimed Monies	5,647	0	0	5,647
Restricted for:				
Street Improvements	0	0	549,704	549,704
Parks and Recreation	0	0	27,640	27,640
Capital Improvements	0	265,297	0	265,297
Law Enforcement	0	0	38,800	38,800
Community Development	0	0	706,902	706,902
Other Purposes	0	0	433	433
Assigned to Subsequent Year's Appropriations	2,450	0	0	2,450
Unassigned	1,380,808	0	0	1,380,808
<i>Total Fund Balances</i>	<u>1,417,663</u>	<u>265,297</u>	<u>1,351,342</u>	<u>3,034,302</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$1,862,225</u>	<u>\$282,677</u>	<u>\$2,021,332</u>	<u>\$4,166,234</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, 2023*

Total Governmental Fund Balances	\$3,034,302
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*Amounts reported for governmental activities
in the statement of net position are different
because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	11,636,890
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Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:

Delinquent Property Taxes	77,142	
Income Taxes	173,805	
Intergovernmental Revenues	105,882	
Fines, Forfeitures, and Settlements	30,619	
Charges for Services	<u>20,630</u>	408,078

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

Deferred Outflows - Pension	1,333,257	
Deferred Inflows - Pension	(272,493)	
Net Pension Asset	8,142	
Net Pension Liability	(2,999,129)	
Deferred Outflows - OPEB	202,024	
Deferred Inflows - OPEB	(261,113)	
Net OPEB Liability	<u>(197,171)</u>	(2,186,483)

Long-term liabilities, accrued interest, and compensated absences that are not due and payable in the current period and therefore are not reported in the funds:

Police and Fire Pension Payable	(42,292)	
OPWC Loans Payable	(469,335)	
OWDA Loans Payable	(16,550)	
Bonds Payable	(93,900)	
Accrued Interest Payable	(2,920)	
Financed Purchase Payable	(108,480)	
Leases Payable	(10,906)	
Compensated Absences	<u>(51,165)</u>	<u>(795,548)</u>

Net Position of Governmental Activities	<u><u>\$12,097,239</u></u>
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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, 2023

	General	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	\$208,341	\$0	\$271,433	\$479,774
Income Taxes	1,790,032	203,412	40,682	2,034,126
Intergovernmental	213,652	0	356,364	570,016
Charges for Services	129,573	0	58,899	188,472
Licenses and Permits	43,451	0	0	43,451
Fines, Forfeitures, and Settlements	30,637	0	6,066	36,703
Interest	209,694	0	12,298	221,992
Rent	10,242	0	0	10,242
Contributions and Donations	0	0	32,689	32,689
Other	95,835	8,574	8,265	112,674
<i>Total Revenues</i>	<u>2,731,457</u>	<u>211,986</u>	<u>786,696</u>	<u>3,730,139</u>
Expenditures				
Current:				
General Government	522,781	0	2,000	524,781
Security of Persons and Property:				
Police	977,355	0	32,584	1,009,939
Fire	576,912	0	0	576,912
Transportation	0	0	390,283	390,283
Leisure Time Activities	0	0	146,413	146,413
Community Environment	10,250	0	27,219	37,469
Capital Outlay	0	103,681	46,972	150,653
Debt Service:				
Principal Retirement	3,634	42,161	58,509	104,304
Interest	386	4,335	3,107	7,828
<i>Total Expenditures</i>	<u>2,091,318</u>	<u>150,177</u>	<u>707,087</u>	<u>2,948,582</u>
<i>Net Change in Fund Balance</i>	<u>640,139</u>	<u>61,809</u>	<u>79,609</u>	<u>781,557</u>
<i>Fund Balances at Beginning of Year</i>	<u>777,524</u>	<u>203,488</u>	<u>1,271,733</u>	<u>2,252,745</u>
<i>Fund Balances at End of Year</i>	<u><u>\$1,417,663</u></u>	<u><u>\$265,297</u></u>	<u><u>\$1,351,342</u></u>	<u><u>\$3,034,302</u></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, 2023*

Net Change in Fund Balances - Total Governmental Funds	\$781,557
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*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/amortization expense. This is the amount by which depreciation/amortization exceeded capital outlay in the current period:

Capital Asset Additions	419,617	
Depreciation/Amortization Expense	<u>(878,705)</u>	(459,088)

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

Delinquent Property Taxes	11,365	
Income Taxes	167,821	
Intergovernmental Revenues	9,183	
Fines, Forfeitures, and Settlements	30,619	
Charges for Services	<u>(490)</u>	218,498

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

OWDA Loans Payable	3,117	
OPWC Loans Payable	44,092	
Financed Purchases	33,961	
Bonds Payable	19,500	
Leases Payable	<u>3,634</u>	104,304

Repayment of the police and fire pension is an expenditure in the governmental funds, but the repayment reduces an amount owned in the statement of net position.	2,814
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In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, interest is expended when due.	1,554
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Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.

Pension	208,635	
OPEB	<u>4,510</u>	213,145

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liabilities/asset are reported as pension/OPEB expense in the statement of activities.

Pension	(376,704)	
OPEB	<u>34,918</u>	(341,786)

Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditure in governmental funds.	<u>(14,464)</u>
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<i>Change in Net Position of Governmental Activities</i>	<u><u>\$506,534</u></u>
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See accompanying notes to the basic financial statements

City of Nelsonville, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Non GAAP Basis)
General Fund
For the Year Ended December 31, 2023

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Property and Other Local Taxes	\$216,087	\$216,087	\$203,463	(\$12,624)
Income Taxes	1,629,334	1,629,334	1,635,325	5,991
Intergovernmental	154,243	154,243	192,694	38,451
Charges for Services	57,572	57,572	129,573	72,001
Licenses and Permits	39,427	39,427	45,881	6,454
Fines and Forfeitures	42,167	42,167	25,066	(17,101)
Interest	9,800	9,800	209,694	199,894
Rent	9,454	9,454	9,454	0
Other	5,000	5,000	96,307	91,307
<i>Total Revenues</i>	<u>2,163,084</u>	<u>2,163,084</u>	<u>2,547,457</u>	<u>384,373</u>
Expenditures				
Current:				
General Government	539,700	521,408	521,408	0
Security of Persons and Property:				
Police	988,000	1,001,947	979,749	22,198
Fire	573,800	582,280	582,280	0
Community Environment	30,000	10,250	10,250	0
Debt Service:				
Principal	0	3,634	3,634	0
Interest	0	386	386	0
<i>Total Expenditures</i>	<u>2,131,500</u>	<u>2,119,905</u>	<u>2,097,707</u>	<u>22,198</u>
<i>Net Change in Fund Balance</i>	31,584	43,179	449,750	406,571
<i>Fund Balance at Beginning of Year</i>	<u>674,729</u>	<u>674,729</u>	<u>674,729</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$706,313</u></u>	<u><u>\$717,908</u></u>	<u><u>\$1,124,479</u></u>	<u><u>\$406,571</u></u>

See accompanying notes to the basic financial statements

City of Nelsonville, Ohio
Statement of Fund Net Position
Enterprise Funds
December 31, 2023

	Water	Sewer	Nonmajor	Total Enterprise Funds*
Assets				
Current:				
Equity in Pooled Cash and Cash Equivalents	\$1,520,530	\$1,305,501	\$52,517	\$2,878,548
Accounts Receivable	351,315	265,679	45,879	662,873
Intergovernmental Receivable	10,496	0	0	10,496
Materials and Supplies Inventory	5,050	5,050	0	10,100
Prepaid Items	22,204	9,952	0	32,156
<i>Total Current Assets</i>	<u>1,909,595</u>	<u>1,586,182</u>	<u>98,396</u>	<u>3,594,173</u>
Noncurrent:				
Restricted Assets:				
Customer Deposits - Cash and Cash Equivalents	72,772	48,897	579	122,248
Net Pension Asset	11,630	9,305	0	20,935
Nondepreciable Capital Assets	2,869,260	9,490,687	0	12,359,947
Depreciable Capital Assets, Net	8,381,957	22,485,612	0	30,867,569
<i>Total Noncurrent Assets</i>	<u>11,335,619</u>	<u>32,034,501</u>	<u>579</u>	<u>43,370,699</u>
<i>Total Assets</i>	<u>13,245,214</u>	<u>33,620,683</u>	<u>98,975</u>	<u>46,964,872</u>
Deferred Outflows of Resources				
Pension	342,315	246,321	0	588,636
OPEB	51,798	37,021	0	88,819
Asset Retirement Obligation	0	448,500	0	448,500
<i>Total Deferred Outflows of Resources</i>	<u>394,113</u>	<u>731,842</u>	<u>0</u>	<u>1,125,955</u>
Liabilities				
Current:				
Accounts Payable	2,515	19,143	19,929	41,587
Accrued Wages Payable	7,704	6,190	0	13,894
Contracts Payable	437,730	579,368	0	1,017,098
Retainage Payable	269,987	426,060	0	696,047
Intergovernmental Payable	3,327	5,146	0	8,473
Accrued Interest Payable	27,067	12,169	0	39,236
OWDA Loans Payable	229,906	77,870	0	307,776
OPWC Loans Payable	28,292	4,725	0	33,017
Compensated Absences Payable	11,646	7,104	0	18,750
Revenue Bonds Payable	0	18,800	0	18,800
<i>Total Current Liabilities</i>	<u>1,018,174</u>	<u>1,156,575</u>	<u>19,929</u>	<u>2,194,678</u>
Long-Term:				
Customer Deposits Payable from Restricted Assets	72,772	48,897	579	122,248
OWDA Loans Payable	3,783,032	2,092,904	0	5,875,936
OPWC Loans Payable	530,984	53,462	0	584,446
Revenue Bonds Payable	0	7,499,900	0	7,499,900
Asset Retirement Obligation	0	559,000	0	559,000
Compensated Absences Payable	60,209	26,512	0	86,721
Net Pension Liability	732,238	585,791	0	1,318,029
Net OPEB Liability	15,425	12,340	0	27,765
<i>Total Long-Term Liabilities</i>	<u>5,194,660</u>	<u>10,878,806</u>	<u>579</u>	<u>16,074,045</u>
<i>Total Liabilities</i>	<u>6,212,834</u>	<u>12,035,381</u>	<u>20,508</u>	<u>18,268,723</u>
Deferred Inflows of Resources				
Pension	89,654	19,824	0	109,478
OPEB	5,484	6,221	0	11,705
<i>Total Deferred Inflows of Resources</i>	<u>95,138</u>	<u>26,045</u>	<u>0</u>	<u>121,183</u>
Net Position				
Net Investment in Capital Assets	5,971,286	21,223,210	0	27,194,496
Restricted for Pension and OPEB Plans	11,630	9,305	0	20,935
Unrestricted	1,348,439	1,058,584	78,467	2,485,490
<i>Total Net Position</i>	<u>\$7,331,355</u>	<u>\$22,291,099</u>	<u>\$78,467</u>	<u>\$29,700,921</u>

*After deferred outflows and deferred inflows related to the change in internal proportionate share of pension and OPEB related items have been eliminated.

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, 2023*

	Water	Sewer	Nonmajor	Total Enterprise Funds
Operating Revenues				
Charges for Services	\$1,907,327	\$1,437,667	\$241,033	\$3,586,027
Other Operating Revenues	11,405	117,743	0	129,148
<i>Total Operating Revenues</i>	<u>1,918,732</u>	<u>1,555,410</u>	<u>241,033</u>	<u>3,715,175</u>
Operating Expenses				
Salaries and Wages	469,461	333,029	0	802,490
Fringe Benefits	347,499	204,222	0	551,721
Contractual Services	642,228	143,784	230,985	1,016,997
Materials and Supplies	285,365	73,122	0	358,487
Depreciation	228,575	283,761	0	512,336
<i>Total Operating Expenses</i>	<u>1,973,128</u>	<u>1,037,918</u>	<u>230,985</u>	<u>3,242,031</u>
<i>Operating Income (Loss)</i>	(54,396)	517,492	10,048	473,144
Non-Operating Revenues (Expenses)				
Capital Grants and Contributions	2,828,781	6,741,702	0	9,570,483
Loss on Disposal of Capital Assets	0	(301,344)	0	(301,344)
Interest	(55,256)	(158,285)	0	(213,541)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>2,773,525</u>	<u>6,282,073</u>	<u>0</u>	<u>9,055,598</u>
<i>Change in Net Position</i>	2,719,129	6,799,565	10,048	9,528,742
<i>Net Position at Beginning of Year - Restated (See Note 3)</i>	<u>4,612,226</u>	<u>15,491,534</u>	<u>68,419</u>	<u>20,172,179</u>
<i>Net Position at End of Year</i>	<u><u>\$7,331,355</u></u>	<u><u>\$22,291,099</u></u>	<u><u>\$78,467</u></u>	<u><u>\$29,700,921</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, 2023

	Water	Sewer	Nonmajor	Total Enterprise Funds
<i>Increase (Decrease) in Cash and Cash Equivalents</i>				
Cash Flows from Operating Activities:				
Cash Received from Customers	\$1,891,309	\$1,424,620	\$238,854	\$3,554,783
Cash Payments for Employee Services and Benefits	(726,009)	(521,719)	0	(1,247,728)
Cash Payments to Suppliers for Goods and Services	(936,744)	(430,440)	(229,398)	(1,596,582)
Other Operating Revenues	11,405	117,743	0	129,148
Customer Deposits Received	3,346	2,432	304	6,082
Customer Deposits Returned	(590)	(394)	0	(984)
<i>Net Cash Provided by Operating Activities</i>	<u>242,717</u>	<u>592,242</u>	<u>9,760</u>	<u>844,719</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	(3,073,364)	(7,384,158)	0	(10,457,522)
Proceeds from OWDA Loans	653,930	204,204	0	858,134
Principal Paid on OWDA Loans	(400,791)	(83,710)	0	(484,501)
Interest Paid on OWDA Loans	(57,568)	(1,851)	0	(59,419)
Principal Paid on OPWC Loans	(49,877)	(14,175)	0	(64,052)
Principal Paid on Bonds	0	(151,100)	0	(151,100)
Interest Paid on Bonds	0	(158,347)	0	(158,347)
Capital Contributions	2,818,285	6,741,702	0	9,559,987
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(109,385)</u>	<u>(847,435)</u>	<u>0</u>	<u>(956,820)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<u>133,332</u>	<u>(255,193)</u>	<u>9,760</u>	<u>(112,101)</u>
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>1,459,970</u>	<u>1,609,591</u>	<u>43,336</u>	<u>3,112,897</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$1,593,302</u></u>	<u><u>\$1,354,398</u></u>	<u><u>\$53,096</u></u>	<u><u>\$3,000,796</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
<i>Operating Income (Loss)</i>	<u>(\$54,396)</u>	<u>\$517,492</u>	<u>\$10,048</u>	<u>\$473,144</u>
<i>Adjustments:</i>				
Depreciation	228,575	283,761	0	512,336
<i>(Increase) Decrease in Assets:</i>				
Accounts Receivable	(13,262)	(11,009)	(1,875)	(26,146)
Materials and Supplies Inventory	1,488	1,488	0	2,976
Prepays Items	6,868	4,491	0	11,359
Deferred Outflows - Pension	231,956	118,641	0	350,597
Deferred Outflows - OPEB	41,745	36,001	0	77,746
Deferred Outflows - Asset Retirement Obligations	0	(276,875)	0	(276,875)
<i>Increase (Decrease) in Liabilities:</i>				
Accounts Payable	(11,333)	19,143	1,587	9,397
Accrued Wages Payable	(6,291)	(2,412)	0	(8,703)
Compensated Absences Payable	15,597	4,603	0	20,200
Intergovernmental Payable	898	3,644	0	4,542
Net Pension Liability	34,320	14,833	0	49,153
Net Pension Asset	1,691	599	0	2,290
Net OPEB Liability (Asset)	(808)	(648)	0	(1,456)
Asset Retirement Obligation	0	40,000	0	40,000
Deferred Inflows - Pension	(172,291)	(110,634)	0	(282,925)
Deferred Inflows - OPEB	(62,040)	(50,876)	0	(112,916)
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$242,717</u></u>	<u><u>\$592,242</u></u>	<u><u>\$9,760</u></u>	<u><u>\$844,719</u></u>

Non-Cash Transactions:

The Water Fund had prior year accruals for contracts payable for capital assets in the amount of \$18,083.

The Water Fund has contracts payable and retainage payables for capital assets in the amount of \$437,730 and \$269,987, respectively.

The Water Fund reflects an increase in capital contributions from grants in the amount of \$10,496 due to the recognition of intergovernmental receivables.

The Sewer Fund had prior year accruals for contracts payable and retainage payable for capital assets in the amount of \$1,111,637 and \$693,884, respectively.

The Sewer Fund has contracts payable and retainage payable for capital assets in the amount of \$579,368 and \$426,060 , respectively.

See accompanying notes to the basic financial statements

City of Nelsonville, Ohio
Statement of Fiduciary Net Position
Custodial Funds
For the Year Ended December 31, 2023

Assets	
Equity in Pooled Cash and Cash Equivalents	\$20,332
Cash and Cash Equivalents in Segregated Accounts	<u>22,223</u>
<i>Total Assets</i>	<u>42,555</u>
Liabilities	
Accounts Payable	195
Intergovernmental Payable	<u>22,028</u>
<i>Total Liabilities</i>	<u>22,223</u>
Net Position	
Restricted for Individuals, Organizations and Other Governments	<u><u>\$20,332</u></u>

See accompanying notes to the basic financial statements

City of Nelsonville, Ohio
Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Year Ended December 31, 2023

Additions	
Fines and Forfeitures Collected for Other Governments	\$6,277
Contributions from Individuals	<u>55</u>
<i>Total Additions</i>	<u>6,332</u>
 Deductions	
Distributions to the State of Ohio	6,087
Distributions to Individuals	<u>245</u>
<i>Total Deductions</i>	<u>6,332</u>
 <i>Change in Fiduciary Net Position</i>	0
 <i>Net Position at Beginning of Year</i>	<u>20,332</u>
 <i>Net Position at End of Year</i>	<u><u>\$20,332</u></u>

See accompanying notes to the basic financial statements

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City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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 four 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, the Athens County Economic Development Council, and the Regional Income Tax Agency, which are defined as jointly governed organizations and the Ohio Municipal League Workers’ Compensation Group Rating Program and the Ohio Small Group Pool Consortium, which are defined as insurance purchasing pools. 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, 2023

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 and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for 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-type 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 Funds 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/discretionary 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.

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, 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. The following are the City's enterprise funds.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

Water Fund The Water Fund is a major fund and 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 a major fund and 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.

Sanitation Fund The Sanitation Fund is used to account for the revenues generated from the charges for the sanitation 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. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private purpose trust funds, and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics. The City does not have any trust funds. The City's custodial funds account for mayor's court collections that are distributed to various local governments and fire insurance monies held until cleanup of fire damaged properties is completed within the City.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economics resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources 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 and fiduciary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

For proprietary funds, the statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. Proprietary funds also present a statement of cash flows which provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from investment trust, private purpose trust funds, and custodial funds.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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 and the statements presented for proprietary and fiduciary funds are prepared using 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, in the recording of deferred outflows/inflows of resources, 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 sixty days of year end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property and other local 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 and other local taxes is recognized in the year for which the taxes are levied (See Note 6). 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, hotel taxes, rentals, 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 represent a consumption of net asset 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 reported on the government-wide statement of net position for asset retirement obligations, pension, and OPEB. The deferred outflows of resources related to asset retirement obligations is originally measured at the amount of the corresponding liability. This amount is expensed in a systematic and rational manner over the tangible asset's useful life. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 9 and 10.

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 asset 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, OPEB, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2023, but which were levied to finance 2024 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, intergovernmental revenue, fines, forfeitures, and settlements, and charges for services. 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

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

Governmental Fund Balance to Net Position of Governmental Activities found on page 19. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide Statement of Net Position. See Notes 9 and 10 for more details.

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 custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriation resolution is Council's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by Council. The legal level of control has been established by Council at the fund and 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".

The City has segregated bank accounts for monies held separate from the City's central bank account. These depository accounts are presented in the financial statements as "Cash and Cash Equivalents in Segregated Accounts" since they are not deposited into the City's treasury. For 2023, there was \$27,233 in segregated cash.

During 2023, investments were limited to nonnegotiable certificates of deposits, 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 2023 amounted to \$209,694, which includes \$167,176 assigned from other City funds.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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.

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2023, 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.

I. 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. Unclaimed monies that are required to be held for five years before they may be utilized by the City are reported as restricted in governmental funds. Restricted assets in the enterprise fund represents customer deposits and amounts held in trust by the pension and OPEB plans for future benefits.

J. Capital Assets

All capital assets (except for intangible right-to-use lease assets and subscription assets which are discussed below) 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 acquisition 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.

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:

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

	Governmental Activities	Business-Type Activities
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
Intangible Right to Use - Equipment	5 - 15 Years	5 - 20 Years

The City is reporting intangible right to use assets related to lease assets. The lease assets include equipment and represent nonfinancial assets which are being utilized for a period of time through leases from another entity. These intangible right to use assets are being amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

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

K. 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. The liability for vacation benefits is recorded as "long-term liabilities, due within one year and due in more than one year" as the City allows employees to accumulate up to three years' worth of vacation accrual.

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.

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

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).

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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 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. The City Council assigned fund balance to cover the gap between the estimated resources and appropriations in the 2024's appropriated budget.

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. Interfund Balances

On the fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as “Interfund Receivables/Payables”. Interfund balances are eliminated on the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances. There are no internal balances at year end.

Deferred inflows of resources and deferred outflows of resources from the change in internal proportionate share related to pension items are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts between governmental and business-type activities. These residual amounts are eliminated in the total column of the entity wide statement of net position.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

N. Interfund Activity

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

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

O. 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 and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits. Bonds, leases, and long-term loans are recognized as a liability on the governmental fund financial statements when due.

P. 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.

Q. Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use 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 court computer 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. Restricted Net Position for Pension plans represent the corresponding restricted asset amounts held in trust by the pension plans for future benefits.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

R. Pensions/Other Postemployment Benefits (OPEB)

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

S. 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, sanitation, 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.

T. 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.

U. Capital Contributions

Contributions of capital arise from outside contributions of capital assets, grants used for principal forgiveness, or from grants or outside contributions of resources restricted to capital acquisition and construction.

V. Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. The City recognizes unearned revenue for intergovernmental revenue from grants received before the eligibility requirements are met.

W. Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements.

X. Leases

The City serves as lessee in various noncancellable leases which are accounted for as follows:

Lessee At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the useful life of the underlying asset. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

Note 3 - Changes in Accounting Principles and Restatement of Prior Year Balances

For 2023, the City implemented Governmental Accounting Standards Board (GASB) No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*; and GASB Statement No. 99, *Omnibus 2022*.

GASB Statement 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The City did not have any arrangements that met the GASB 94 definition of a PPP or an APA.

GASB Statement 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The City did not have any contracts that met the GASB 96 definition of a SBITA, other than short-term SBITAs.

GASB Statement 99 addresses various issues including items related to leases, PPPs, and SBITAs. The requirements related to PPPs and SBITAs were incorporated with the corresponding GASB 94 and GASB 96 changes identified above.

For 2023, the City also implemented the guidance in GASB's Implementation Guide No. 2021-1, *Implementation Guidance Update—2021* (other than question 5.1).

In 2022, the enterprise funds'/business-type activities accounts receivables were misstated. The restated net position for December 31, 2022, will be restated as follows:

	Business-Type Activities			Total Enterprise Funds
Net Position December 31, 2022			\$19,950,100	
Adjustments to Accounts Receivable			222,079	
Restated Net Position December 31, 2022			<u>\$20,172,179</u>	

	Water	Sewer	Nonmajor	Total Enterprise Funds
Net Position, December 31, 2022	\$4,495,718	\$15,400,832	\$53,550	\$19,950,100
Adjustments to Accounts Receivable	116,508	90,702	14,869	222,079
Restated Net Position, December 31, 2022	<u>\$4,612,226</u>	<u>\$15,491,534</u>	<u>\$68,419</u>	<u>\$20,172,179</u>

In 2022, the governmental activities due in one year was misstated. The restated net position for December 31, 2022 will be restated as follows:

	Governmental Activities
Net Position December 31, 2022	\$11,577,966
Adjustments to Due within One Year	12,739
Restated Net Position December 31, 2022	<u>\$11,590,705</u>

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

Note 4 - 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 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. Encumbrances are treated as expenditures (budget) rather than restricted, committed, or assigned fund balance (GAAP).
4. Unrecorded cash, segregated accounts, and prepaid items are reported on the balance sheet (GAAP basis), but not on the budgetary basis.

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

Net Change in Fund Balance	
	General
GAAP Basis	\$640,139
Revenue Accruals	(181,420)
Expenditure Accruals	(2,963)
Beginning of Year	
Unrecorded Cash	2,430
Prepaid Items	30,771
End of Year	
Prepaid Items	(28,758)
Segregated Accounts	(5,010)
Encumbrances	(5,439)
Budget Basis	<u>\$449,750</u>

Note 5 - Deposits and Investments

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

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

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

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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) and by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government custodial 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 custodial securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy 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. Except as noted above, an investment must mature within five years from the date of

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

purchase unless matched to a specific obligation or debt of the City and must be purchased with the expectation that it will be held to maturity.

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

At year end, the City had \$775 in undeposited cash on hand which is included as part of “Equity in Pooled Cash and Cash Equivalents”.

Note 6 - Receivables

Receivables at December 31, 2023, consisted primarily of municipal income taxes, property taxes, accounts (billings for user fees including unbilled utility services and Opioid settlement monies), hotel taxes, 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. Delinquent sewer accounts receivable (billings for user charged services) are certified and collected as a special assessment, subject to foreclosure for nonpayment. 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 in the amounts of \$77,142 and \$173,805, respectively.

A. Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2023 for real and public utility property taxes represents collections of 2022 taxes.

2023 real property taxes were levied after October 1, 2023, on the assessed value as of January 1, 2023, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2023 real property taxes are collected in and intended to finance 2024.

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. 2023 public utility property taxes which became a lien December 31, 2022, are levied after October 1, 2023, and are collected in 2024 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2023, was \$9.00 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2023 property tax receipts were based are as follows:

Real Property	\$57,529,140
Public Utility Personal Property	<u>5,641,150</u>
Total	<u><u>\$63,170,290</u></u>

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

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, 2023, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2023 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 taxpayers 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, 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. These revenues are posted to the General Fund, the Capital Improvements Capital Projects Fund, and the Parks nonmajor Special Revenue Fund.

C. Intergovernmental Receivable

A summary of intergovernmental receivables follows:

Governmental Activities:	Amounts
Gasoline Tax	\$97,493
Local Government	38,081
Nelsonville-York City Schools	21,454
Motor Vehicle License Tax	16,312
Bureau of Workers Compensations	1,600
Athens County Sheriff	569
Athens County Municipal Court	561
Total Governmental Activities	176,070
Business-Type Activities:	
OWDA Principal Forgiveness	10,496
Total Intergovernmental Receivables	\$186,566

D. OneOhio Opioid Settlement Monies

During 2021, Ohio reached an agreement with the three largest distributors of opioids. Subsequently, settlements have been reached with other distributors. As contingencies related to timing and measurement are resolved, a receivable will be reported in accompanying financial statements as a part of accounts receivable. As a participating subdivision, the City reported \$30,619 as a receivable related to opioid settlement monies in the OneOhio Special Revenue Fund in the accompanying financial statements. Collections of these settlement monies are expected to extend through 2038 with \$3,014 expected to be collected in 2024.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

Note 7 - Capital Assets

Capital asset activity for the year ended December 31, 2023, was as follows:

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

	Balance 12/31/2022	Additions	Reductions	Balance 12/31/2023
Governmental Activities				
<i>Nondepreciable Capital Assets</i>				
Land	\$407,263	\$0	\$0	\$407,263
Construction in Progress	0	39,286	0	39,286
<i>Total Nondepreciable Capital Assets</i>	407,263	39,286	0	446,549
<i>Depreciable Capital Assets</i>				
<i>Tangible Assets</i>				
Land Improvements	4,062,056	0	0	4,062,056
Buildings and Improvements	3,245,947	87,892	0	3,333,839
Furniture, Fixtures, and Equipment	1,115,999	75,967	(5,006)	1,186,960
Vehicles	2,010,678	61,972	0	2,072,650
U.S. and State Roads	8,825,686	0	0	8,825,686
City Streets	8,935,473	154,500	0	9,089,973
Street Signals	665,975	0	0	665,975
<i>Total Tangible Assets</i>	28,861,814	380,331	(5,006)	29,237,139
<i>Intangible Right to Use</i>				
<i>Lease Assets</i>				
Intangible Right to Use - Furniture, Fixtures, and Equipment	18,066	0	0	18,066
<i>Total Depreciable Capital Assets</i>	28,879,880	380,331	(5,006)	29,255,205
<i>Less Accumulated Depreciation/Amortization</i>				
<i>Depreciation</i>				
Land Improvements	(1,073,496)	(135,221)	0	(1,208,717)
Buildings and Improvements	(1,665,653)	(86,910)	0	(1,752,563)
Furniture, Fixtures, and Equipment	(708,775)	(66,988)	5,006	(770,757)
Vehicles	(1,281,696)	(133,134)	0	(1,414,830)
U.S. and State Roads	(6,349,650)	(273,973)	0	(6,623,623)
City Streets	(5,442,394)	(178,845)	0	(5,621,239)
Street Signals	(665,975)	0	0	(665,975)
<i>Total Depreciation</i>	(17,187,639)	(875,071)	5,006	(18,057,704)
<i>Amortization</i>				
<i>Intangible Right to Use</i>				
<i>Lease Assets</i>				
Intangible Right to Use - Furniture, Fixtures, and Equipment	(3,526)	(3,634)	0	(7,160)
<i>Total Accumulated Depreciation/Amortization</i>	(17,191,165)	(878,705) *	5,006	(18,064,864)
<i>Total Depreciable Capital Assets, Net</i>	11,688,715	(498,374)	0	11,190,341
<i>Governmental Activities Capital Assets, Net</i>	\$12,095,978	(\$459,088)	\$0	\$11,636,890

*Depreciation/amortization expense was charged to governmental programs as follows:

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

	<u>Depreciation</u>	<u>Amortization</u>	<u>Total</u>	
General Government	\$77,592	\$3,634	\$81,226	
Security of Persons and Property				
Police	74,651	0	74,651	
Fire	75,618	0	75,618	
Leisure Time Activities	111,480	0	111,480	
Community Development	39,823	0	39,823	
Transportation	495,907	0	495,907	
Total	<u>\$875,071</u>	<u>\$3,634</u>	<u>\$878,705</u>	
	Balance			Balance
	12/31/2022	Additions	Reductions	12/31/2023
Business-Type Activities				
<i>Nondepreciable Capital Assets</i>				
Land	\$752,475	\$0	\$0	\$752,475
Construction in Progress	21,132,614	10,039,065	(19,564,207)	11,607,472
<i>Total Nondepreciable Capital Assets</i>	<u>21,885,089</u>	<u>10,039,065</u>	<u>(19,564,207)</u>	<u>12,359,947</u>
<i>Depreciable Capital Assets</i>				
<i>Tangible Assets</i>				
Land Improvements	10,826	0	(2,526)	8,300
Furniture, Fixtures, and Equipment	748,274	109,882	(150,325)	707,831
Vehicles	465,713	137,574	(29,297)	573,990
Infrastructure	19,483,773	19,624,749	(1,931,762)	37,176,760
<i>Total Depreciable Capital Assets</i>	<u>20,708,586</u>	<u>19,872,205</u>	<u>(2,113,910)</u>	<u>38,466,881</u>
<i>Less Accumulated Depreciation</i>				
<i>Depreciation</i>				
Land Improvements	(10,011)	(195)	2,526	(7,680)
Furniture, Fixtures, and Equipment	(592,911)	(19,072)	144,807	(467,176)
Vehicles	(364,048)	(27,701)	29,297	(362,452)
Infrastructure	(7,932,572)	(465,368)	1,635,936	(6,762,004)
<i>Total Depreciation</i>	<u>(8,899,542)</u>	<u>(512,336)</u>	<u>1,812,566</u>	<u>(7,599,312)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>11,809,044</u>	<u>19,359,869</u>	<u>(301,344)</u>	<u>30,867,569</u>
<i>Business-Type Activities Capital Assets, Net</i>	<u>\$33,694,133</u>	<u>\$29,398,934</u>	<u>(\$19,865,551)</u>	<u>\$43,227,516</u>

Note 8 - 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 Public Entities Pool, with a blanket insurance policy with the following coverage limits and deductibles:

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<u>Property and Liability</u>	<u>Deductible</u>	<u>Limits of Coverage</u>
Real Property	\$1,000	\$23,209,604
General Liability:		
Each Occurrence	10,000	5,000,000
Employee Benefits:		
Each Occurrence	1,000	1,000,000
Wrongfull Acts Liability:		
Each Occurrence	10,000	5,000,000
Vehicles:		
Comprehensive	500	5,000,000
Collision	1,000	5,000,000
Employee Dishonesty	500	25,000
Law Enforcement:		
Each Occurrence	10,000	5,000,000
Umbrella Coverage:		
Each Occurrence	10,000	5,000,000

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 2023, the City participated in the Ohio Municipal League Workers' Compensation Group Rating Program (Program), an insurance purchasing pool (see Note 17). The Program 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 Program. Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. In order to allocate the savings derived by formation of the Program, and to maximize the number of participants in the Program, the Program's executive committee annually calculates the total savings which accrued to the Program through its formation. The savings is then compared to the overall savings percentage of the Program. The Program'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 Program to cover the costs of administering the program.

The City may withdraw from the Program 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 Program prior to withdrawal, and any participant leaving the Program allows the representative of the Program to access loss experience for three years following the last year of participation.

Note 9 - Defined Benefit Pension Plans

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

Net Pension Liability (Asset) /Net OPEB Liability

The net pension liability (asset) and the net OPEB liability reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee

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services. Pensions/OPEB 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/OPEB liability (asset) represent the City's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) calculations are 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 these estimates annually.

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a *net pension asset* or a long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable*. The remainder of this note includes the required pension disclosures. See Note 10 for the required OPEB disclosures.

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 is a cost-sharing, multiple employer public employee retirement system which administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Effective January 1, 2022, new members may no longer select the Combined Plan, and current members may no longer make a plan change to this plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

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OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <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 in the traditional and combined plans were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional and combined plans as per the reduced benefits adopted by SB 343 (see OPERS Annual Comprehensive Financial Report referenced above for additional information, including requirements for reduced and unreduced benefits):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The amount of a member's pension benefit vests upon receipt of the initial benefit payment. The options for Public Safety and Law Enforcement permit early retirement under qualifying circumstances as early as age 48 with a reduced benefit.

When a traditional plan benefit recipient has received benefits for 12 months, the member is eligible for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost-of-living adjustment is 3 percent. For those retiring on or after January 7, 2013, beginning in calendar year 2019, the adjustment is based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options and will continue to be administered by OPERS), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

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

	<u>State and Local</u>	
	<u>Traditional</u>	<u>Combined</u>
2023 Statutory Maximum Contribution Rates		
Employer	14.0 %	14.0 %
Employee *	10.0 %	10.0 %
2023 Actual Contribution Rates		
Employer:		
Pension **	14.0 %	12.0 %
Post-employment Health Care Benefits **	<u>0.0</u>	<u>2.0</u>
Total Employer	<u>14.0 %</u>	<u>14.0 %</u>
Employee	<u>10.0 %</u>	<u>10.0 %</u>

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

** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension; however, effective July 1, 2022, a portion of the health care rate is funded with reserves.

Employer contribution rates are actuarially determined within the constraints of statutory limits for each division and expressed as a percentage of covered payroll.

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For 2023, the City's contractually required contribution was \$132,873 for the traditional plan and \$7,356 for the combined plan. Of these amounts, \$5,753 is reported as an intergovernmental payable for the traditional plan and \$319 for the combined plan.

Ohio Police & Fire Pension Fund (OP&F)

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

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit (see OP&F Annual Comprehensive Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

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

The COLA amount for members who have 15 or more years of service credit as of July 1, 2013, and members who are receiving a pension benefit that became effective before July 1, 2013, will be equal to 3.0 percent of the member's base pension benefit.

The COLA amount for members who have less than 15 years of service credit as of July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3.0 percent or the percentage increase in the consumer price index, if any, over the twelve-month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

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Members who retired prior to July 24, 1986, or their surviving beneficiaries under optional plans are entitled to cost-of-living allowance increases. The annual increase is paid on July 1st of each year. The annual COLA increase is \$360 under a Single Life Annuity Plan with proportional reductions for optional payment plans.

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

	<u>Police</u>	<u>Firefighters</u>
2022 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2022 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50</u>	<u>0.50</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee	<u>12.25 %</u>	<u>12.25 %</u>

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$169,370 for 2023. Of this amount, \$4,873 is reported as an intergovernmental payable.

In addition to current contributions, the City pays installments on a specific liability the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2023, the specific liability of the City was \$42,292 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 (asset) for OPERS was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2022, and was determined by rolling forward the total pension liability as of January 1, 2022, to December 31, 2022. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense of the City's defined benefit pension plans:

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	<u>Traditional Plan</u>	<u>Combined Plan</u>	<u>OP&F</u>	
Proportion of the Net Pension Liability/Asset:				
Current Measurement Date	0.00619700%	0.01233700%	0.02617700%	
Prior Measurement Date	<u>0.00670000%</u>	<u>0.00508800%</u>	<u>0.02848950%</u>	
Change in Proportionate Share	<u>-0.00050300%</u>	<u>0.00724900%</u>	<u>-0.00231250%</u>	<u>Total</u>
Proportionate Share of the:				
Net Pension Liability	\$1,830,597	\$0	\$2,486,561	\$4,317,158
Net Pension Asset	0	(29,077)	0	(29,077)
Pension Expense	242,313	486	353,984	596,783

At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

	<u>OPERS Traditional Plan</u>	<u>OPERS Combined Plan</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources				
Differences between expected and actual experience	\$60,805	\$1,788	\$37,297	\$99,890
Changes of assumptions	19,339	1,925	224,279	245,543
Net difference between projected and actual earnings on pension plan investments	521,778	10,597	362,013	894,388
Changes in proportion and differences between City contributions and proportionate share of contributions	12,387	0	307,986	320,373
City contributions subsequent to the measurement date	<u>132,873</u>	<u>7,356</u>	<u>169,370</u>	<u>309,599</u>
Total Deferred Outflows of Resources	<u>\$747,182</u>	<u>\$21,666</u>	<u>\$1,100,945</u>	<u>\$1,869,793</u>
Deferred Inflows of Resources				
Differences between expected and actual experience	\$0	\$4,155	\$56,651	\$60,806
Changes of assumptions	0	0	48,487	48,487
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>53,113</u>	<u>26,321</u>	<u>141,144</u>	<u>220,578</u>
Total Deferred Inflows of Resources	<u>\$53,113</u>	<u>\$30,476</u>	<u>\$246,282</u>	<u>\$329,871</u>

\$309,599 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 or increase to the net pension asset in 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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Year Ending December 31:	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
2024	\$47,266	(\$3,360)	\$107,950	\$151,856
2025	104,739	(1,843)	183,499	286,395
2026	153,587	(1,087)	193,307	345,807
2027	255,604	771	227,991	484,366
2028	0	(3,803)	(27,454)	(31,257)
Thereafter	0	(6,844)	0	(6,844)
Total	<u>\$561,196</u>	<u>(\$16,166)</u>	<u>\$685,293</u>	<u>\$1,230,323</u>

Actuarial Assumptions – OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2022, using the following key actuarial assumptions and methods applied to all periods included in the measurement in accordance with the requirements of GASB 67:

	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	2.75 percent	2.75 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation	2.75 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3.0 percent, simple	3.0 percent, simple
Post-January 7, 2013 Retirees	3.0 percent, simple through 2023, then 2.05 percent, simple	3.0 percent, simple through 2023, then 2.05 percent, simple
Investment Rate of Return	6.9 percent	6.9 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five year period ended December 31, 2020.

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During 2022, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 12.1 percent for 2022.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board's investment consultant. For each major class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2022, these best estimates are summarized below:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	22.00%	2.62%
Domestic Equities	22.00	4.60
Real Estate	13.00	3.27
Private Equity	15.00	7.53
International Equities	21.00	5.51
Risk Parity	2.00	4.37
Other investments	5.00	3.27
Total	<u>100.00%</u>	

Discount Rate The discount rate used to measure the total pension liability for the current year was 6.9 percent for the traditional plan and the combined plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the traditional pension plan, combined plan and member-directed plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 6.9 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (5.9 percent) or one-percentage-point higher (7.9 percent) than the current rate:

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	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
City's proportionate share of the net pension liability (asset)			
OPERS Traditional Plan	\$2,742,173	\$1,830,597	\$1,072,329
OPERS Combined Plan	(15,175)	(29,077)	(40,095)

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2022, is based on the results of an actuarial valuation date of January 1, 2022, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered are: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2022, are presented below.

Valuation Date	January 1, 2022, with actuarial liabilities rolled forward to December 31, 2022
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent per annum, compounded annually, consisting of Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	2.2 percent simple per year

For 2022, mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2 percent for males and 98.7 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135 percent for males and 97.9 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, mortality for contingent annuitants is based on the Pub- 2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9 percent for males and 131 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, Mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP- 2021 Improvement Scale.

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For 2021, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

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

For 2021, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

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

The most recent experience study was completed for the five-year period ended December 31, 2021.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the underlying inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2022, are summarized below:

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	18.60 %	4.80 %
Non-US Equity	12.40	5.50
Private Markets	10.00	7.90
Core Fixed Income *	25.00	2.50
High Yield Fixed Income	7.00	4.40
Private Credit	5.00	5.90
U.S. Inflation Linked Bonds*	15.00	2.00
Midstream Energy Infrastructure	5.00	5.90
Real Assets	8.00	5.90
Gold	5.00	3.60
Private Real Estate	12.00	5.30
Commodities	2.00	3.60
Total	125.00 %	

Note: Assumptions are geometric.

* levered 2.5x

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.25 times due to the application of leverage in certain fixed income asset classes.

Discount Rate For 2022, the total pension liability was calculated using the discount rate of 7.50 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 of 7.50 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$3,280,254	\$2,486,561	\$1,826,764

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Note 10 - Defined Benefit OPEB Plans

See Note 9 for a description of the net OPEB liability.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust. The 115 Health Care Trust (115 Trust or Health Care Trust) was established in 2014, under Section 115 of the Internal Revenue Code (IRC). The purpose of the 115 Trust is to fund health care for the Traditional Pension, Combined and Member-Directed plans. Medicare-enrolled retirees in the Traditional Pension and Combined plans may have an allowance deposited into a health reimbursement arrangement (HRA) account to be used toward the health care program of their choice selected with the assistance of an OPERS vendor. Non-Medicare retirees have converted to an arrangement similar to the Medicare-enrolled retirees, and are no longer participating in OPERS provided self-insured group plans.

With one exception, OPERS-provided health care coverage is neither guaranteed nor statutorily required. Ohio law currently requires Medicare Part A equivalent coverage or Medicare Part A premium reimbursement for eligible retirees and their eligible dependents.

OPERS offers a health reimbursement arrangement (HRA) allowance to traditional pension plan and combined plan benefit recipients meeting certain age and service credit requirements. The HRA is an account funded by OPERS that provides tax free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance, and co-pays incurred by eligible benefit recipients and their dependents.

OPERS members enrolled in the Traditional Pension Plan or Combined Plan retiring with an effective date of January 1, 2022, or after must meet the following health care eligibility requirements to receive an HRA allowance:

Medicare Retirees Medicare-eligible with a minimum of 20 years of qualifying service credit

Non-Medicare Retirees Non-Medicare retirees qualify based on the following age-and-service criteria:

Group A 30 years of qualifying service credit at any age;

Group B 32 years of qualifying service credit at any age or 31 years of qualifying service credit and minimum age 52;

Group C 32 years of qualifying service credit and minimum age 55; or,

A retiree from groups A, B or C who qualifies for an unreduced pension, but a portion of their service credit is not health care qualifying service, can still qualify for health care at age 60 if they have at least 20 years of qualifying health care service credit.

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Retirees who don't meet the requirement for coverage as a non-Medicare participant can become eligible for coverage at age 65 if they have at least 20 years of qualifying service.

Members with a retirement date prior to January 1, 2022, who were eligible to participate in the OPERS health care program will continue to be eligible after January 1, 2022.

Eligible retirees may receive a monthly HRA allowance for reimbursement of health care coverage premiums and other qualified medical expenses. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are provided to eligible retirees, and are deposited into their HRA account.

Retirees will have access to the OPERS Connector, which is a relationship with a vendor selected by OPERS to assist retirees participating in the health care program. The OPERS Connector may assist retirees in selecting and enrolling in the appropriate health care plan.

When members become Medicare-eligible, recipients enrolled in OPERS health care programs must enroll in Medicare Part A (hospitalization) and Medicare Part B (medical).

OPERS reimburses retirees who are not eligible for premium-free Medicare Part A (hospitalization) for their Part A premiums as well as any applicable surcharges (late-enrollment fees). Retirees within this group must enroll in Medicare Part A and select medical coverage, and may select prescription coverage, through the OPERS Connector. OPERS also will reimburse 50 percent of the Medicare Part A premium and any applicable surcharges for eligible spouses. Proof of enrollment in Medicare Part A and confirmation that the retiree is not receiving reimbursement or payment from another source must be submitted. The premium reimbursement is added to the monthly pension benefit.

The health care trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

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 allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2023, 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.

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Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2023, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and beginning July 1, 2022, there was a two percent allocation to health care for the Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2022 was 4.0 percent; however, effective July 1, 2022, a portion of the health care rate was funded with reserves.

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution was \$1,226 for 2023. Of this amount, \$53 is reported as an intergovernmental payable.

Ohio Police & Fire Pension Fund (OP&F)

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

OP&F contracted with a vendor who assists eligible retirees in choosing health care plans that are available where they live (both Medicare-eligible and pre-65 populations). A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses.

Regardless of a benefit recipient's participation in the health care program, OP&F is required by law to pay eligible recipients of a service pension, disability benefit and spousal survivor benefit for their Medicare Part B insurance premium, up to the statutory maximum provided the benefit recipient is not eligible to receive reimbursement from any other source. Once OP&F receives the necessary documentation, a monthly reimbursement is included as part of the recipient's next benefit payment. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

OP&F maintains funds for health care in two separate accounts: one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. IRS Code Section 401(h) account is maintained for Medicare Part B reimbursements.

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2023, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

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

The City's contractually required contribution to OP&F was \$4,166 for 2023. Of this amount, \$121 is reported as an intergovernmental payable.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022 by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2022, and was determined by rolling forward the total OPEB liability as of January 1, 2022, to December 31, 2022. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&F</u>	
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.006116%	0.0261770%	
Prior Measurement Date	<u>0.006384%</u>	<u>0.0284895%</u>	
Change in Proportionate Share	<u>-0.000268%</u>	<u>-0.0023125%</u>	
			<u>Total</u>
Proportionate Share of the:			
Net OPEB Liability	\$38,563	\$186,373	\$224,936
OPEB Expense	(\$66,684)	(\$3,978)	(\$70,662)

At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$0	\$11,122	\$11,122
Changes of assumptions	37,665	92,878	130,543
Net difference between projected and actual earnings on pension plan investments	76,587	15,985	92,572
Changes in proportion and differences between City contributions and proportionate share of contributions	191	45,382	45,573
City contributions subsequent to the measurement date	<u>1,226</u>	<u>4,166</u>	<u>5,392</u>
Total Deferred Outflows of Resources	<u>\$115,669</u>	<u>\$169,533</u>	<u>\$285,202</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$9,619	\$36,749	\$46,368
Changes of assumptions	3,099	152,438	155,537
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>172</u>	<u>65,100</u>	<u>65,272</u>
Total Deferred Inflows of Resources	<u>\$12,890</u>	<u>\$254,287</u>	<u>\$267,177</u>

\$5,392 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or an increase in the net OPEB asset in 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2024	\$12,730	(\$22,329)	(\$9,599)
2025	27,943	(16,865)	11,078
2026	23,881	(2,612)	21,269
2027	36,999	806	37,805
2028	0	(10,727)	(10,727)
Thereafter	<u>0</u>	<u>(37,193)</u>	<u>(37,193)</u>
Total	<u>\$101,553</u>	<u>(\$88,920)</u>	<u>\$12,633</u>

Actuarial Assumptions - OPERS

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

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Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022. The actuarial valuation used the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	2.75 percent
Projected Salary Increases,	2.75 to 10.75 percent
	including wage inflation
Single Discount Rate	5.22 percent
Prior Year Single Discount Rate	6.00 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	4.05 percent
Prior Year Municipal Bond Rate	1.84 percent
Health Care Cost Trend Rate	5.5 percent, initial
	3.50 percent, ultimate in 2036
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five year period ended December 31, 2020.

During 2022, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contributions are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 15.6 percent for 2022.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset

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allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2022, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	34.00%	2.56%
Domestic Equities	26.00	4.60
Real Estate Investment Trust	7.00	4.70
International Equities	25.00	5.51
Risk Parity	2.00	4.37
Other investments	6.00	1.84
Total	<u>100.00%</u>	

Discount Rate A single discount rate of 5.22 percent was used to measure the OPEB liability on the measurement date of December 31, 2022; however, the single discount rate used at the beginning of the year was 6 percent. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 4.05 percent (Fidelity Index's "20-Year Municipal GO AA Index"). The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2054. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2054, and the municipal bond rate was applied to all health care costs after that date.

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

The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 5.22 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (4.22 percent) or one-percentage-point higher (6.22 percent) than the current rate:

	1% Decrease (4.22%)	Current Discount Rate (5.22%)	1% Increase (6.22%)
City's proportionate share of the net OPEB liability (asset)	\$131,249	\$38,563	(\$37,919)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability or asset. The following table presents the net liability or asset calculated using the assumed trend rates, and the expected net OPEB liability or asset if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

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Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2023 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	<u>1% Decrease</u>	<u>Current Health Care Cost Trend Rate Assumption</u>	<u>1% Increase</u>
City's proportionate share of the net OPEB liability	\$36,146	\$38,563	\$41,283

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2022, is based on the results of an actuarial valuation date of January 1, 2022, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

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

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Valuation Date	January 1, 2022, with actuarial liabilities rolled forward to December 31, 2022
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent
Blended discount rate:	
Current measurement date	4.27 percent
Prior measurement date	2.84 percent
Cost of Living Adjustments	2.2 percent simple per year
Projected Depletion Year of OPEB Assets	2036

For 2022, mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2 percent for males and 98.7 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135 percent for males and 97.9 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, mortality for contingent annuitants is based on the Pub- 2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9 percent for males and 131percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP- 2021 Improvement Scale.

For 2021, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

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

For 2021, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

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

The most recent experience study was completed for the five year period ended December 31, 2021.

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The OP&F health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 9.

Discount Rate For 2022, the total OPEB liability was calculated using the discount rate of 4.27 percent. For 2021, the total OPEB liability was calculated using the discount rate of 2.84 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 7.5 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, for 2022, the long-term assumed rate of return on investments of 7.50 percent was applied to periods before December 31, 2035, and the Municipal Bond Index Rate of 3.65 percent was applied to periods on and after December 31, 2035, resulting in a discount rate of 4.27 percent. For 2021, a municipal bond rate of 2.05 percent at December 31, 2021, was blended with the long-term rate of 7.5 which resulted in a blended discount rate of 2.84. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 4.27 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.27 percent), or one percentage point higher (5.27 percent) than the current rate.

	1% Decrease (3.27%)	Current Discount Rate (4.27%)	1% Increase (5.27%)
City's proportionate share of the net OPEB liability	\$229,500	\$186,373	\$149,962

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 Principal Life.

The City provides comprehensive major medical insurance through Carefactor. Monthly premiums are \$1,136.79 for single coverage, \$2,273.55 for employee and spouse coverage, \$1,989.35 for employee and children coverage, and \$3,126.15 for family coverage. The City pays 85 percent of the total monthly premium. 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 \$27.64 for single coverage and \$106.31 for family coverage. The City pays 100 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.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

C. Deferred Compensation Plans

City employees and elected officials participate in a statewide deferred compensation plan created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Note 12 - Long - Term Obligations

A schedule of changes in long-term obligations of the City during 2023 follows:

	Principal Outstanding			Principal Outstanding		Amounts Due Within
	12/31/22	Additions	Deductions	12/31/23	One Year	
Governmental Activities:						
Debt from Direct Placement:						
2019 Street Sweeper USDA Bonds - 3%	\$88,200	\$0	\$11,300	\$76,900	\$11,800	
2020 Police Vehicles USDA Bonds - 2.375%	25,200	0	8,200	17,000	8,400	
Total Debt from Direct Placement	<u>113,400</u>	<u>0</u>	<u>19,500</u>	<u>93,900</u>	<u>20,200</u>	
Debt from Direct Borrowings:						
2007 OWDA Adams Street Improvement Loan - 2%	<u>19,667</u>	<u>0</u>	<u>3,117</u>	<u>16,550</u>	<u>3,180</u>	
2008 OPWC Adams Street Improvements Loan - 0%	<u>11,609</u>	<u>0</u>	<u>2,274</u>	<u>9,335</u>	<u>758</u>	
2014 OPWC Jefferson and Watkins Street Improvements Loan - 0%	<u>501,818</u>	<u>0</u>	<u>41,818</u>	<u>460,000</u>	<u>13,939</u>	
Total OPWC Loans	<u>513,427</u>	<u>0</u>	<u>44,092</u>	<u>469,335</u>	<u>14,697</u>	
Total Debt from Direct Borrowings	<u>533,094</u>	<u>0</u>	<u>47,209</u>	<u>485,885</u>	<u>17,877</u>	
Police and Fire Pension Liability	<u>45,106</u>	<u>0</u>	<u>2,814</u>	<u>42,292</u>	<u>2,935</u>	
Financed Purchases from Direct Borrowings:						
2016 Pumper Truck - 2.5%	<u>142,441</u>	<u>0</u>	<u>33,961</u>	<u>108,480</u>	<u>35,037</u>	
Total Financed Purchases	<u>142,441</u>	<u>0</u>	<u>33,961</u>	<u>108,480</u>	<u>35,037</u>	
Leases Payable	<u>14,540</u>	<u>0</u>	<u>3,634</u>	<u>10,906</u>	<u>3,744</u>	
Compensated Absences	<u>36,701</u>	<u>15,954</u>	<u>1,490</u>	<u>51,165</u>	<u>9,934</u>	
Net Pension Liability:						
OPERS	<u>134,073</u>	<u>378,495</u>	<u>0</u>	<u>512,568</u>	<u>0</u>	
OP&F	<u>1,779,859</u>	<u>706,702</u>	<u>0</u>	<u>2,486,561</u>	<u>0</u>	
Total Net Pension Liability	<u>1,913,932</u>	<u>1,085,197</u>	<u>0</u>	<u>2,999,129</u>	<u>0</u>	
Net OPEB Liability:						
OPERS	<u>0</u>	<u>10,798</u>	<u>0</u>	<u>10,798</u>	<u>0</u>	
OP&F	<u>312,269</u>	<u>0</u>	<u>125,896</u>	<u>186,373</u>	<u>0</u>	
Total Net OPEB Liability	<u>312,269</u>	<u>10,798</u>	<u>125,896</u>	<u>197,171</u>	<u>0</u>	
Total Governmental Activities	<u>\$3,111,483</u>	<u>\$1,111,949</u>	<u>\$234,504</u>	<u>\$3,988,928</u>	<u>\$89,727</u>	

City of Nelsonville, Ohio
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	Principal Outstanding 12/31/22	Additions	Deductions	Principal Outstanding 12/31/23	Amounts Due Within One Year
Business-Type Activities:					
Debt from Direct Placements:					
2020 USDA Sanitary Sewer Revenue Bonds - 1.625%	\$963,800	\$0	\$18,500	\$945,300	\$18,800
2021 USDA Sanitary Sewer System Revenue Bonds					
Series A - 1.375%	4,706,000	0	92,000	4,614,000	0
Series B - 1.250%	2,000,000	0	40,600	1,959,400	0
Total Debt from Direct Placements	<u>7,669,800</u>	<u>0</u>	<u>151,100</u>	<u>7,518,700</u>	<u>18,800</u>
Debt from Direct Borrowings:					
OWDA Loans:					
2002 Water Improvements					
Loan - 2.00%	7,980	0	7,980	0	0
2002 State Route 33 Sewer Improvements					
Loan - 2.00%	8,776	0	8,776	0	0
2007 Adams Street Sewer Improvements					
Loan - 2.00%	55,725	0	8,832	46,893	9,009
2007 Adams Street Water					
Improvements Loan - 2.00%	55,724	0	8,832	46,892	9,009
2012 Water Treatment Plant Loan - 1.98%	2,566,444	0	265,572	2,300,872	220,897
2016 Robbins Road Sewer Loan - 0.75%	93,327	0	3,483	89,844	3,510
2020 Regional Collection Sewer System - 0%	1,892,452	0	62,619	1,829,833	65,351
2021 Regional Collection System Phase 3 Sewer - 0%	0	204,204	0	204,204	0
2021 Water System Improvement - 0%	906,252	426,844	0	1,333,096	0
2022 Water System Improvements - 0%	79,488	38,919	118,407	0	0
2022 North Hocking River Water Main - 0%	143,911	19,711	0	163,622	0
2023 Water System Improvements Phase 2 - 0%	0	168,456	0	168,456	0
Total OWDA Loans	<u>5,810,079</u>	<u>858,134</u>	<u>484,501</u>	<u>6,183,712</u>	<u>307,776</u>
OPWC Loans:					
2008 Adams Street Sewer Improvements					
Loan - 0%	72,362	0	14,175	58,187	4,725
2008 Adams Street Water Improvements					
Loan - 0%	70,821	0	13,878	56,943	4,626
2011 Water Booster Station Loan - 0%	13,333	0	1,000	12,333	333
2012 Water Treatment Plant Loan - 0%	524,999	0	34,999	490,000	23,333
Total OPWC Loans	<u>681,515</u>	<u>0</u>	<u>64,052</u>	<u>617,463</u>	<u>33,017</u>
Total Debt from Direct Borrowings	<u>6,491,594</u>	<u>858,134</u>	<u>548,553</u>	<u>6,801,175</u>	<u>340,793</u>
Asset Retirement Obligation	<u>519,000</u>	<u>325,000</u>	<u>285,000</u>	<u>559,000</u>	<u>0</u>
Compensated Absences	<u>85,271</u>	<u>22,130</u>	<u>1,930</u>	<u>105,471</u>	<u>18,750</u>
Net Pension Liability - OPERS:					
Water	279,805	452,433	0	732,238	0
Sewer	169,049	416,742	0	585,791	0
Total Net Pension Liability - OPERS	<u>448,854</u>	<u>869,175</u>	<u>0</u>	<u>1,318,029</u>	<u>0</u>
Net OPEB Liability - OPERS:					
Water	0	15,425	0	15,425	0
Sewer	0	12,340	0	12,340	0
Total Net OPEB Liability - OPERS	<u>0</u>	<u>27,765</u>	<u>0</u>	<u>27,765</u>	<u>0</u>
Total Business-Type Activities	<u>\$15,214,519</u>	<u>\$2,102,204</u>	<u>\$986,583</u>	<u>\$16,330,140</u>	<u>\$378,343</u>

City of Nelsonville, Ohio
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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. There are no repayment schedules for the net pension and net OPEB liabilities. However, employer pension contributions are made from the General Fund, the Street Levy Special Revenue Fund, and the Water and Sewer Enterprise Funds. For additional information related to the net pension and OPEB liability, see Notes 9 and 10.

A. Governmental

On October 2, 2019, the City issued \$120,000 of general obligation bonds. These bonds were issued through a direct placement with the United States Department of Agriculture (USDA) to finance the cost for a new street sweeper and related equipment acquired in 2019. Principal requirements to retire the Street Sweeper Bond will be paid from the Street Levy Fund. Principal and interest requirements to retire the bonds at December 31, 2023, are as follows:

Year Ending December 31,	Principal	Interest	Total
2024	\$11,800	\$2,692	\$14,492
2025	12,100	2,278	14,378
2026	12,600	1,855	14,455
2027	13,000	1,414	14,414
2028	13,500	959	14,459
2029	13,900	487	14,387
	\$76,900	\$9,685	\$86,585

On May 13, 2020, the City issued \$41,000 of general obligation bonds. These bonds were issued through a direct placement with the United States Department of Agriculture (USDA) to finance the cost for a new police vehicles and related equipment acquired in 2020. Principal requirements to retire the bonds will be paid from the General Fund. Principal and interest requirements to retire the USDA Police Vehicles Bond at December 31, 2023, are as follows:

Year Ending December 31,	Principal	Interest	Total
2024	\$8,400	\$404	\$8,804
2025	8,600	204	8,804
	\$17,000	\$608	\$17,608

The 2007 OWDA Adams Street Improvements 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. Principal and interest requirements to retire the OWDA Adams Street Improvements Loan liability at December 31, 2023, are as follows:

Year Ending December 31,	Principal	Interest	Total
2024	\$3,180	\$315	\$3,495
2025	3,244	251	3,495
2026	3,309	186	3,495
2027	3,375	120	3,495
2028	3,442	52	3,494
	\$16,550	\$924	\$17,474

City of Nelsonville, Ohio
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For the Year Ended December 31, 2023

The 2008 OPWC Adams Street Improvement Loan, issued in the amount of \$164,063, 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, 2023, are as follows:

Year Ending December 31,	Principal
2024	\$758
2025	1,517
2026	1,517
2027	1,517
2028	1,516
2029-2030	2,510
	<u>\$9,335</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 and will repay the loan. Principal requirements to retire the OPWC Jefferson and Watkins Streets Improvements Loan liability at December 31, 2023, are as follows:

Year Ending December 31,	Principal
2024	\$13,939
2025	27,879
2026	27,879
2027	27,879
2028	27,878
2029-2033	139,394
2034-2038	139,395
2039-2040	55,757
	<u>\$460,000</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, 2023, are as follows:

Year Ending December 31,	Principal	Interest	Total
2024	\$2,935	\$1,767	\$4,702
2025	3,061	1,640	4,701
2026	3,193	1,509	4,702
2027	3,329	1,371	4,700
2028	3,473	1,229	4,702
2029-2033	19,734	3,786	23,520
2034-2035	6,567	277	6,844
	<u>\$42,292</u>	<u>\$11,579</u>	<u>\$53,871</u>

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

B. Financed Purchases

In prior years, the City had entered into financed purchases for the purchase of heavy equipment. The purchases meet the criteria of a financed purchase which is defined as one which transfers benefits and risks of ownership to the lessee. All financed purchase payments are made from governmental funds, have been reclassified and are reflected as debt service expenditures in the basic financial statements. One of the leases is for equipment for the fire department. This lease was incurred in 2016. The asset is reflected in the governmental activities and is to be paid from the Capital Improvements Capital Projects Fund. These expenditures are reflected as program expenditures on a budgetary basis.

These financed purchases from direct borrowing agreements contain provisions in the event of a default. Upon the occurrence of an event of default, and as long as the event of default is continuing, the Bank may, at its option, exercise any one or more of the following remedies:

- (i) by written notice, declare all rental payments and other amounts payable.
- (ii) with or without terminating the lease, lessor may, upon 5 days written notice to Lessee, enter the premises where any equipment that is subject to that Lease is located and retake possession of that equipment, or require Lessee at Lessee's expense to promptly return any or all of the Equipment to the possession of Lessor at such place within the United States as Lessor shall specify, and sell or lease the equipment or, for the account of the Lessee, sublease the equipment, continuing to hold Lessee liable for the difference.
- (iii) Lessor may take whatever action at law or in equity may appear necessary or desirable to enforce its rights under the Lessee or as the owner of any or all of the Equipment.

Principal requirements to retire the financed purchase at December 31, 2023, are as follows:

Year Ending December 31,	Principal	Interest	Total
2024	\$35,037	\$3,439	\$38,476
2025	36,148	2,326	38,474
2026	37,295	1,182	38,477
	<u>\$108,480</u>	<u>\$6,947</u>	<u>\$115,427</u>

C. Leases Payable

The City has outstanding agreements to lease copiers. Due to the implementation of GASB Statement 87, these leases have met the criteria thus requiring them to be recorded by the City. The future lease payments were discounted based on the interest rate implicit in the lease or using the City's incremental borrowing rate. This discount is being amortized using the interest method over the life of the lease. A summary of the principal and interest amounts for the remaining leases is as follows:

Year Ending December 31,	Principal	Interest	Total
2024	\$3,744	\$276	\$4,020
2025	3,858	162	4,020
2026	3,304	46	3,350
	<u>\$10,906</u>	<u>\$484</u>	<u>\$11,390</u>

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

D. Enterprise

On March 17, 2020, the City issued Sewer System Revenue Bonds for the sanitary sewer system in the amount of \$1,000,000. The bonds were issued through a direct placement with the United States Department of Agriculture (USDA) to finance the construction of the sanitary sewer system and will be repaid from charges for services in the Sewer Enterprise fund.

Year Ended December 31,	Principal	Interest	Total
2024	\$18,800	\$15,361	\$34,161
2025	19,200	15,056	34,256
2026	19,400	14,744	34,144
2027	19,800	14,428	34,228
2028	20,100	14,107	34,207
2029-2033	105,400	65,528	170,928
2034-2038	114,300	56,678	170,978
2039-2043	123,900	47,086	170,986
2044-2048	134,300	36,688	170,988
2049-2053	145,600	25,417	171,017
2054-2058	157,700	13,197	170,897
2059-2060	66,800	1,632	68,432
	\$945,300	\$319,922	\$1,265,222

On May 18, 2021, the City issued Sewer Revenue Bonds for the sanitary sewer system in the amount of \$6,706,000. The bonds were issued through a direct placement with the United States Department of Agriculture (USDA) to finance the construction of the sanitary sewer system. During 2021, the City received a disbursement of \$3,580,850. The remaining proceeds of \$3,125,150 were disbursed to the City during 2022. An amortization schedule for this loan is not available.

The 2002 OWDA Water Improvements Loan, authorized for \$265,000, was used to finance water plant expansions and improvements and was repaid from charges for services in the Water Enterprise Fund in 2023.

The 2002 OWDA State Route 33 Sewer Improvements loan, authorized for \$291,018, was used to sewer improvements and was repaid from charges for services in the Sewer Enterprise Fund in 2023.

The 2007 OWDA Adams Street Sewer Improvements Loan, authorized for \$282,023, was used to finance sewer line extensions and improvements and will be repaid from charges for services in the Sewer Enterprise Fund.

The 2007 OWDA Adams Street Water Improvements Loan, authorized for \$274,604, was used to finance water line extensions and improvements and will be repaid from charges for services in the Water Enterprise Fund.

The 2012 OWDA Water Treatment Plant Loan, authorized for \$4,490,531, 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 complete, but has not been closed, and a final amortization schedule is not available at this time, however, payments are being made based on an estimated schedule.

The 2016 OWDA Robbins Road Sewer Improvements Loan, authorized for \$112,028, is being used to finance sewer line extensions and improvements. The loan will be repaid from charges for services in the Sewer Enterprise Fund.

City of Nelsonville, Ohio
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For the Year Ended December 31, 2023

The 2020 OWDA Regional Collection Sewer System Loan, in the amount of \$2,042,463, was issued to finance the Sanitary Sewer Improvement Project. \$1,892,452 was drawn, with remaining \$150,011 in undrawn proceeds. This loan will be paid from charges for services in the Sewer Enterprise Fund.

The 2021 OWDA Regional Collection System Loan is approved for \$998,499 to be used to finance the regional collection system. Currently, there has been \$204,204 draw on this loan, with \$794,295 remaining undrawn. This loan will be paid from charges for services in the Sewer Enterprise Fund. There is no amortization schedule for this loan as the project is not complete.

The 2021 Water System Improvement Loan is approved for \$1,653,391 and is being used to finance improvements of the water system in the City. Currently there has been \$1,333,096 drawn on this loan, with \$320,295 remaining to be drawn. This loan will be paid from charges for services in the Water Enterprise Fund. There currently is no amortization schedule for this loan as the project is not complete.

The 2022 Water System Improvement Loan is approved for \$314,055 and is being used to finance improvements to the water system in the City. There was \$118,407 drawn from this loan. This loan was paid from charges for service in the Water Enterprise Fund in 2023.

The 2022 North Hocking River Water Main Loan is approved for \$207,140 and is being used to finance improvements to the Hocking River Water Main in the City. There has been \$163,622 drawn on this loan as of December 31, 2023. This loan will be paid from charges for service in the Water Enterprise Fund. An amortization schedule is not available for this loan as the project is not complete.

The 2023 Water System Improvement Phase 2 Loan is approved for \$3,393,729 and is being used to finance improvements to the water system in the City. There has been \$168,456 drawn on this loan as of December 31, 2023. This loan will be paid from charges for service in the Water Enterprise Fund. An amortization schedule is not available for this loan as the project is not complete.

Principal and interest requirements to retire OWDA loan liabilities, with the exception of the pending OWDA Loans, at December 31, 2023, are as follows:

Year Ended December 31,	Principal	Interest	Total
2024	\$307,776	\$54,561	\$362,337
2025	312,560	49,777	362,337
2026	317,439	44,898	362,337
2027	322,415	39,922	362,337
2028	327,489	34,848	362,337
2029-2033	1,496,799	95,127	1,591,926
2034-2038	345,955	1,686	347,641
2039-2043	346,688	953	347,641
2044-2048	341,159	217	341,376
2049-2051	196,055	0	196,055
	\$4,314,335	\$321,989	\$4,636,324

The 2008 OPWC Adams Street Sewer Improvements Loan, authorized for \$121,439, 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 Improvements Loan, authorized for \$118,919, was used to finance water line extensions and improvements and will be repaid from charges for services in the Water Enterprise Fund.

City of Nelsonville, Ohio
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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.

Principal requirements to retire the OPWC Loan liability at December 31, 2023, are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>
2024	\$33,017
2025	42,703
2026	42,705
2027	42,705
2028	42,704
2029-2033	150,958
2034-2038	120,000
2039-2043	119,334
2044-2045	23,337
	<u>\$617,463</u>

The City's outstanding Governmental and Business-Type OPWC loans from direct borrowings contain provisions that, in the event of default, (1) OPWC may apply late fees of 8 percent per year, (2) loans more than 60 days late will be turned over to the Attorney General's office for collection, and as provided by law, OPWC may require that such payment be taken from the City's share of the county undivided local government fund, and (3) the outstanding amounts shall, at OPWC's option, become immediately due and payable.

The City's outstanding Governmental and Business-Type USDA loans from direct borrowings containing provisions that, in an event of default, the City (1) declare the entire principal amount then outstanding and accrued interest immediately due and payable, (2) the Association incur and pay reasonable expenses for repair, maintenance, and operation of the facility and such other reasonable expenses as may be necessary to cure the cause of default, and/or (3) take possession of the facility, repair, maintain, and operate or rent it.

The City's outstanding Governmental and Business-Type OWDA loans from direct borrowings contain provisions that, in an event of default, (1) the amount of such default shall bear interest at the default rate from the due date until the date of payment, (2) if any of the charges have not been paid within 30 days, in addition to the interest calculated at the default rate, a late charge of 1 percent on the amount of each default shall also be paid to the OWDA, and (3) for each additional 30 days during which the charges remain unpaid, the City shall continue to pay an additional late charge of 1 percent on the amount of the default until such charges are paid.

E. Pledged Revenue

The City has pledged future water customer revenues to repay \$4,012,938 in outstanding water system OWDA loans. The loans are payable solely from water customer net revenues and are payable through 2033. 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 16 percent of net revenues. The total principal and interest remaining to be paid on the loans is \$2,658,818. Principal and interest payments for the current year were \$458,359, net revenues were \$2,719,129 and total revenues were \$4,747,513.

City of Nelsonville, Ohio
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The City has pledged future water customer revenues to repay \$559,276 in outstanding water system OPWC loans. The loans are payable solely from water customer net revenues and are payable through 2045. Net revenues include all revenues received by the water utility less all operating expenses other than depreciation expense. Annual principal payments on the loans are expected to require 2 percent of net revenues. The total principal remaining to be paid on the loans is \$559,276. Principal payments for the current year were \$49,877, net revenues were \$2,719,129 and total revenues were \$4,747,513.

The City has pledged future sewer customer revenues to repay \$2,170,774 in outstanding sewer system OWDA loans. The loans are payable solely from sewer customer net revenues and are payable through 2051. Net revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loans are expected to require 1 percent of net revenues. The total principal and interest remaining to be paid on the loans are \$1,977,505. Principal and interest payments for the current year, excluding principal forgiveness, were \$83,710, net revenues were \$6,799,565 and total revenues were \$8,297,112.

The City has pledged future sewer customer revenues to repay \$58,187 in outstanding sewer system OPWC loans. 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. Annual principal payments on the loans are expected to require 1 percent of net revenues. The total principal remaining to be paid on the loans is \$58,187. Principal payments for the current year were \$14,175, net revenues were \$6,799,565 and total revenues were \$8,297,112.

The City has pledged future sewer customer revenues to repay \$7,518,700 in outstanding sewer system revenue bonds. The bonds are payable solely from sewer customer net revenues and are payable through 2060. Net revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loans are expected to require 4 percent of net revenues. The total principal and interest remaining to be paid on the loans are \$9,694,152. Principal and interest payments for the current year were \$309,447, net revenues were \$6,799,565 and total revenues were \$8,297,112.

The City's legal debt margin was \$5,944,615 at December 31, 2023.

Note 13 - Asset Retirement Obligations

Ohio Revised Code Section 6111.44 requires the City to submit any changes to their sewerage system to the Ohio EPA for approval. Through this review process, the City would be responsible to address any public safety issues associated with their wastewater treatment facilities. The City Engineer estimates these public safety issues to include removing/filling any tankage, cleaning/removing certain equipment, and backfilling certain exposed areas. This asset retirement obligation (ARO) of \$559,000 associated with the City wastewater treatment facilities was estimated by the City's engineers. The remaining useful life of these facilities range from 5 to 39 years.

The Governmental Accounting Standard Board's (GASB) Statement No. 83, *Certain Asset Retirement Obligations*, provides guidance related to asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The City has the following AROs:

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

<u>Asset</u>
Sewage Plant Pumping Station
SR 691 Lift Station
Back Street Lift Station
Sewage Plant Pumping Station
Sewage Plant Pumping Station
SR 78 Lift Station
Lake Hope Drive Lift Station
2002 Sewer Lift Station
Robbins Road Sanitary Sewer
Wastewater Treatment Plant
Buchtel Sewer System
Tri County Lift Station Upgrade
Delbert Lift Station

Note 14 - Significant Commitments

Contractual Commitments

As of December 31, 2023, the City had contractual purchase commitments as follows:

<u>Projects</u>	<u>Purchase Commitment</u>	<u>Paid as of 12/31/2023</u>	<u>Remaining on Contract</u>
Governmental - Street Fund			
Canal Street Improvements	\$191,329	\$39,286	\$152,043
Enterprise Funds:			
Water System Improvements	5,678,300	2,694,644	2,983,656
Regional Wastewater Treatment	10,894,553	8,774,709	2,119,844
Total	<u>\$16,764,182</u>	<u>\$11,508,639</u>	<u>\$5,255,543</u>

Encumbrances

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

General Fund	\$5,439
Capital Improvements Fund	5,498
Non-Major Governmental Funds	<u>170,000</u>
Total Governmental	<u>180,937</u>
Water Fund	62
Sewer Fund	<u>11,001</u>
Total Enterprise	<u>11,063</u>
Total	<u>\$192,000</u>

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

Note 15 - Interfund Activity

Internal Balances – Change in Proportionate Share

The City uses an internal proportionate share to allocate its net pension/OPEB liability/asset and corresponding deferred outflows/inflows of resources and pension/OPEB expense to its various funds. This allocation creates a change in internal proportionate share. The effects of the internal proportionate share are eliminated from the pension deferred outflows/inflows of resources in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts between governmental and business-type activities. These residual amounts are eliminated in the total column of the entity wide statement of net position thus allowing the total column to present the change in proportionate share for the City as a whole.

	Pension		OPEB	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Governmental Activities	<u>\$20,501</u>	<u>\$17,440</u>	<u>\$157</u>	<u>\$3,265</u>
Enterprise Funds/Business-Type Activities				
Sewer	4,228	9,931	68	2,151
Water	<u>27,371</u>	<u>24,729</u>	<u>5,416</u>	<u>225</u>
<i>Total Enterprise Funds/Business-Type Activities</i>	31,599	34,660	5,484	2,376
Elimination from Proprietary Fund Statements	<u>(14,159)</u>	<u>(14,159)</u>	<u>(2,219)</u>	<u>(2,219)</u>
Total Business-Type Activities	<u>17,440</u>	<u>20,501</u>	<u>3,265</u>	<u>157</u>
Total	<u><u>\$37,941</u></u>	<u><u>\$37,941</u></u>	<u><u>\$3,422</u></u>	<u><u>\$3,422</u></u>

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 2023, 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 2023, the City did not make any contributions to the Council.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

C. Regional Income Tax Agency

The Regional Income Tax Agency (RITA) is a regional council of governments formed to establish a central collection facility for the purpose of administering the income tax laws of the members and for the purpose of collection income taxes on behalf of each member. RITA currently has approximately 350 members in the council of governments. Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine-member board of trustees elected by the members of the council of governments. The board exercises total control over RITA's operation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the council. For 2023, these costs are not yet available, however, in 2023, the City did not make any contributions to the agency.

Note 17 - Insurance Purchasing Pools

A. Ohio Municipal League Workers' Compensation Group Rating Program

The City is a participant in the Ohio Municipal League Workers' Compensation Group Rating Program (Program), an insurance purchasing pool. The Program is governed by a Board of Trustees, elected by the membership. The Board consists of two immediate past presidents of the League, as long as they are municipal officials, and 22 Trustees elected for four-year terms. Of the 22 Trustees, at least one must be: the mayor of a city or village; a city manager; a fiscal officer or finance director; a solicitor or director of law; a member of a municipal legislative body, other than the mayor. The Board is the policy-making body and appoints an Executive Director to manage the League under their general direction. Each year, the participants pay an enrollment fee to the Program to cover the costs of administering the Program.

B. Ohio Small Group Pool Consortium

The City is a member of the Ohio Small Group Pool Consortium (OSGP), an insurance purchasing pool. The OSGP's primary purpose and objective is providing certain medical, hospitalization, dental, prescription drug, and life benefits for their employees and the eligible dependents of those employees. The governing board consists of a director appointed by each of the members of the OSGP. To obtain financial information for the OSGP, write to the fiscal agent, Bloom-Carroll Local City, 5240 Plum Road NW, Carroll, Ohio 43112.

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, 2023.

B. Litigation

The City of Nelsonville is currently party to pending litigation; however, the outcome and potential impact to the financial statements for several of these cases cannot be determined at this time.

However, during 2024, in the case of Hunt v. City of Nelsonville, both parties have reached a settlement. As part of the settlement, the City of Nelsonville's insurance carrier has authorized payment in the amount of \$60,000 to the plaintiff for full and complete settlement. Also during 2024, the City reached a settlement in relation to Garry Hunter vs. City of Nelsonville. As part of the settlement, the Council of the City of Nelsonville has authorized payment of up to \$98,371.99 to the plaintiff for full and complete settlement.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2023

C. Special Investigation

The Auditor of State Special Investigation Unit is conducting a special investigation. As of the date of this report, the investigation is ongoing. The results of the investigation will be reported on at a later date.

Note 19 - Subsequent Events

In November 2024, by general election, the voters approved that the Charter of the City of Nelsonville, Ohio, submitted to the Electors of the City of Nelsonville on November 8, 1994, which became effective January 1, 1995, and its subsequent amendments, be abolished and the City returned to the same form of government as it had prior to and up to January 1, 1995, to be effective January 1, 2026. Upon approval of this initiative submitted to the electors of the City of Nelsonville at the general election on November 5, 2024, the election of all city offices which were required by the form of government of Nelsonville Ohio prior to January 1, 1995, shall be elected during the municipal elections of 2025. Those elected shall take office on January 1, 2026.

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 Ten Years

	2023	2022	2021	2020
City's Proportion of the Net Pension Liability	0.0061970%	0.0067000%	0.0063510%	0.0067410%
City's Proportionate Share of the Net Pension Liability	\$1,830,597	\$582,927	\$940,445	\$1,332,404
City's Covered Payroll	\$959,136	\$925,159	\$925,509	\$818,982
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	190.86%	63.01%	101.61%	162.69%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.74%	92.62%	86.88%	82.10%

Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

See accompanying notes to the required supplementary information

2019	2018	2017	2016	2015	2014
0.0063250%	0.0074410%	0.0080100%	0.0096790%	0.0097640%	0.0097640%
\$1,732,289	\$1,167,349	\$1,818,935	\$1,676,525	\$1,177,648	\$1,151,048
\$809,751	\$928,663	\$1,118,589	\$1,158,978	\$1,154,036	\$1,154,751
213.93%	125.70%	162.61%	144.66%	102.05%	99.68%
74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

City of Nelsonville, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Asset
Ohio Public Employees Retirement System - Combined Plan
Last Three Years(1)

	<u>2023</u>	<u>2022</u>	<u>2021</u>
City's Proportion of the Net Pension Asset	0.012337%	0.005088%	0.000159%
City's Proportionate Share of the Net Pension Asset	\$29,077	\$20,047	\$459
City's Covered Payroll	\$57,243	\$23,200	\$23,200
City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	50.80%	86.41%	1.98%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	137.14%	169.88%	157.67%

(1) Amounts for the combined plan are not presented prior to 2021 as the City's participation in this plan was considered immaterial in previous years.

Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

See accompanying notes to the required supplementary information

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City of Nelsonville, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net OPEB Liability (Asset)
Ohio Public Employees Retirement System - OPEB Plan
Last Seven Years (1)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
City's Proportion of the Net OPEB Liability/Asset	0.0061160%	0.0063840%	0.0063510%	0.0062780%
City's Proportionate Share of the Net OPEB Liability (Asset)	\$38,563	(\$199,957)	(\$113,148)	\$867,155
City's Covered Payroll	\$1,016,379	\$948,359	\$925,509	\$818,982
City's Proportionate Share of the Net OPEB Liability/Asset as a Percentage of its Covered Payroll	3.79%	-21.08%	-12.23%	105.88%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	94.79%	128.23%	115.57%	47.80%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

See accompanying notes to the report supplementary information
See accountant's compilation report

2019	2018	2017
0.0059200%	0.0073000%	0.0078200%
\$771,828	\$792,726	\$789,847
\$809,751	\$928,663	\$1,118,589
95.32%	85.36%	70.61%
46.33%	54.14%	54.04%

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 Ten Years

	2023	2022	2021	2020
City's Proportion of the Net Pension Liability	0.0261770%	0.0284895%	0.0218328%	0.0217900%
City's Proportionate Share of the Net Pension Liability	\$2,486,561	\$1,779,859	\$1,488,362	\$1,467,891
City's Covered Payroll	\$808,197	\$684,546	\$521,579	\$562,275
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	307.67%	260.01%	285.36%	261.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.90%	75.03%	70.65%	69.89%

Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

See accompanying notes to the required supplementary information.

2019	2018	2017	2016	2015	2014
0.0214330%	0.0213300%	0.0254610%	0.0245860%	0.0254689%	0.0254689%
\$1,749,499	\$1,309,119	\$1,612,674	\$1,581,635	\$1,319,395	\$1,240,416
\$526,094	\$467,673	\$547,975	\$520,737	\$525,358	\$519,585
332.54%	279.92%	294.30%	303.73%	251.14%	238.73%
63.07%	70.91%	68.36%	66.77%	71.71%	73.00%

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

	2023	2022	2021	2020
City's Proportion of the Net OPEB Liability	0.0261770%	0.0284895%	0.0218328%	0.0217900%
City's Proportionate Share of the Net OPEB Liability	\$186,373	\$312,269	\$231,322	\$215,236
City's Covered Payroll	\$808,197	\$684,546	\$521,579	\$562,275
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	23.06%	45.62%	44.35%	38.28%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	52.59%	45.40%	47.08%	46.57%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

See accompanying notes to the report supplementary information

2019	2018	2017
0.0214330%	0.0213300%	0.0254610%
\$195,180	\$1,208,528	\$1,208,576
\$526,094	\$467,673	\$547,975
37.10%	258.41%	220.55%
46.57%	14.13%	15.96%

City of Nelsonville, Ohio
Required Supplementary Information
Schedule of City Contributions
Ohio Public Employees Retirement System
Last Ten Years (1)

	2023	2022	2021
Net Pension Liability - Traditional Plan			
Contractually Required Contribution	\$132,873	\$134,279	\$134,479
Contributions in Relation to the Contractually Required Contribution	(132,873)	(134,279)	(134,479)
Contribution Deficiency (Excess)	\$0	\$0	\$0
City Covered Payroll	\$949,093	\$959,136	\$925,159
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.54%
Net Pension Asset - Combined Plan			
Contractually Required Contribution	\$7,356	\$8,014	\$3,248
Contributions in Relation to the Contractually Required Contribution	(7,356)	(8,014)	(3,248)
Contribution Deficiency (Excess)	\$0	\$0	\$0
City Covered Payroll	\$61,300	\$57,243	\$23,200
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%
Net OPEB Liability/Asset - OPEB Plan (2)			
Contractually Required Contribution	\$1,226	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	(1,226)	0	0
Contribution Deficiency (Excess)	\$0	\$0	\$0
City Covered Payroll	\$1,010,393	\$1,016,379	\$948,359
Contributions as a Percentage of Covered Payroll	0.12%	0.00%	0.00%

(1) The OPEB plan includes the members from the traditional plan, the combined plan, and the member directed plan. The member directed plan is a defined contribution plan; therefore, the pension side is not included above.

(2) Information prior to 2016 is not available.

See accompanying notes to the required supplementary information

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$134,528	\$119,248	\$117,939	\$126,041	\$140,465	\$145,454	\$144,509
<u>(134,528)</u>	<u>(119,248)</u>	<u>(117,939)</u>	<u>(126,041)</u>	<u>(140,465)</u>	<u>(145,454)</u>	<u>(144,509)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$925,509	\$818,982	\$809,751	\$928,663	\$1,118,589	\$1,158,978	\$1,154,036
<u>14.54%</u>	<u>14.56%</u>	<u>14.56%</u>	<u>13.57%</u>	<u>12.56%</u>	<u>12.55%</u>	<u>12.52%</u>

\$0	\$0	\$0	\$9,667	\$23,345
<u>0</u>	<u>0</u>	<u>0</u>	<u>(9,667)</u>	<u>(23,345)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$925,509	\$818,982	\$809,751	\$966,683	\$1,167,241
<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>1.00%</u>	<u>2.00%</u>

See accountant's compilation report.

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

	2023	2022	2021	2020
Net Pension Liability				
Contractually Required Contribution	\$169,370	\$164,135	\$141,712	\$106,546
Contributions in Relation to the Contractually Required Contribution	<u>(169,370)</u>	<u>(164,135)</u>	<u>(141,712)</u>	<u>(106,546)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (1)	\$833,077	\$808,197	\$684,546	\$521,579
Pension Contributions as a Percentage of Covered Payroll	<u>20.33%</u>	<u>20.31%</u>	<u>20.70%</u>	<u>20.43%</u>
Net OPEB Liability				
Contractually Required Contribution	\$4,166	\$4,041	\$3,422	\$2,608
Contributions in Relation to the Contractually Required Contribution	<u>(4,166)</u>	<u>(4,041)</u>	<u>(3,422)</u>	<u>(2,608)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$833,077	\$808,197	\$684,546	\$521,579
OPEB Contributions as a Percentage of Covered Payroll	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>
Total Contributions as a Percentage of Covered Payroll	<u>20.83%</u>	<u>20.81%</u>	<u>21.20%</u>	<u>20.93%</u>

(1) The City's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$113,501	\$106,388	\$95,354	\$111,668	\$104,598	\$106,586
<u>(113,501)</u>	<u>(106,388)</u>	<u>(95,354)</u>	<u>(92,657)</u>	<u>(89,864)</u>	<u>(86,434)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$19,011</u>	<u>\$14,734</u>	<u>\$20,152</u>
\$562,275	\$526,094	\$467,673	\$547,975	\$520,737	\$525,358
<u>20.19%</u>	<u>20.22%</u>	<u>20.39%</u>	<u>20.38%</u>	<u>20.09%</u>	<u>20.29%</u>
\$2,811	\$2,630	\$2,339	\$2,740	\$2,604	\$2,627
<u>(2,811)</u>	<u>(2,630)</u>	<u>(2,339)</u>	<u>(92,657)</u>	<u>(89,864)</u>	<u>(86,434)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$89,917)</u>	<u>(\$87,260)</u>	<u>(\$83,807)</u>
\$562,275	\$526,094	\$467,673	\$547,975	\$520,735	\$525,358
<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>
<u>20.69%</u>	<u>20.72%</u>	<u>20.89%</u>	<u>20.88%</u>	<u>20.59%</u>	<u>20.79%</u>

City of Nelsonville, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2023

Changes in Assumptions – OPERS Pension– Traditional Plan

Amounts reported beginning in 2022 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in prior years are presented below:

	2022	2019 through 2021	2018 and 2017	2016 and prior
Wage Inflation	2.75 percent	3.25 percent	3.25 percent	3.75 percent
Future Salary Increases	2.75 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:				
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	see below	see below	see below	see below
Investment Rate of Return	6.9 percent	7.2 percent	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age	Individual Entry Age

The assumptions related to COLA or Ad Hoc COLA for Post-January 7, 2013, Retirees are as follows:

COLA or Ad Hoc COLA, Post-January 7, 2013 Retirees:

2023	3.0 percent, simple through 2023 then 2.05 percent, simple
2022	3.0 percent, simple through 2022 then 2.05 percent, simple
2021	0.5 percent, simple through 2021 then 2.15 percent, simple
2020	1.4 percent, simple through 2020 then 2.15 percent, simple
2017 through 2019	3.0 percent, simple through 2018 then 2.15 percent, simple
2016 and prior	3.0 percent, simple through 2018 then 2.80 percent, simple

Amounts reported beginning in 2022 use pre-retirement mortality rates based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all these tables.

Amounts reported for 2017 through 2021 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period

City of Nelsonville, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2023

base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates 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.

Changes in Assumptions – OPERS Pension – Combined Plan

	2022	2019 through 2021	2018
Wage Inflation	2.75 percent	3.25 percent	3.25 percent
Future Salary Increases	2.75 to 8.25 percent including wage inflation	3.25 to 8.25 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:			
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	see below	see below	see below
Investment Rate of Return	6.9 percent	7.2 percent	7.5 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age

For 2022, 2021 and 2020, the Combined Plan had the same change in COLA or Ad Hoc COLA for Post-January 2, 2013, retirees as the Traditional Plan.

Changes in Assumptions – OP&F Pension

Amounts reported beginning in 2018 incorporate changes in assumptions used by OP&F in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2017 and prior are presented below:

	Beginning in 2018	2017 and Prior
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	3.25 percent per annum, compounded annually, consisting of Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increases based on the lesser of the increase in CPI and 3 percent

Beginning in 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for 2018 through 2021 to 7.5 percent for 2022 and forward.

City of Nelsonville, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2023

Beginning in 2023, mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2 percent for males and 98.7 percent for females. All rates are projected using the MP-2021 Improvement Scale.

Beginning in 2023, mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135 percent for males and 97.9 percent for females. All rates are projected using the MP-2021 Improvement Scale.

Beginning in 2023, mortality for contingent annuitants is based on the Pub- 2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9 percent for males and 131 percent for females. All rates are projected using the MP-2021 Improvement Scale.

Beginning in 2023, mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP- 2021 Improvement Scale.

Prior to 2023, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

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

Prior to 2023, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

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

City of Nelsonville, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2023

Changes in Assumptions – OPERS OPEB

Wage Inflation:	
2023 and 2022	2.75 percent
2021 and prior	3.25 percent
Projected Salary Increases (including wage inflation):	
2023 and 2022	2.75 to 10.75 percent
2021 and prior	3.25 to 10.75 percent
Investment Return Assumption:	
Beginning in 2019	6.00 percent
2018	6.50 percent
Municipal Bond Rate:	
2023	4.05 percent
2022	1.84 percent
2021	2.00 percent
2020	2.75 percent
2019	3.71 percent
2018	3.31 percent
Single Discount Rate:	
2023	5.22 percent
2022	6.00 percent
2021	6.00 percent
2020	3.16 percent
2019	3.96 percent
2018	3.85 percent
Health Care Cost Trend Rate:	
2023	5.5 percent, initial 3.5 percent, ultimate in 2036
2022	5.5 percent, initial 3.5 percent, ultimate in 2034
2021	8.5 percent, initial 3.5 percent, ultimate in 2035
2020	10.5 percent, initial 3.5 percent, ultimate in 2030
2019	10.0 percent, initial 3.25 percent, ultimate in 2029
2018	7.5 percent, initial 3.25 percent, ultimate in 2028

Changes in Assumptions – OP&F OPEB

Blended Discount Rate:	
2023	4.27 percent
2022	2.84 percent
2021	2.96 percent
2020	3.56 percent
2019	4.66 percent
2018	3.24 percent

City of Nelsonville, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2023

For 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for 2018 through 2021 to 7.5 percent for 2022 and 2023.

Changes in Benefit Terms – OPERS OPEB

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in 2021.

Changes in Benefit Terms – OP&F OPEB

For 2019, OP&F recognized a change in benefit terms. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements. This new model replaced the self-insured health care plan used in prior years.

**CITY OF NELSONVILLE
ATHENS COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal AL Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
<i>Direct Program</i>		
Water and Waste Disposal Systems for Rural Communities	10.760	<u>\$4,029,021</u>
Total U.S. Department of Agriculture		<u>4,029,021</u>
U.S. DEPARTMENT OF TREASURY		
<i>Passed through Ohio Office of Budget and Management</i>		
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	43,672
<i>Passed through Ohio Emergency Management Office</i>		
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	31,241
Total U.S. Department of Treasury		<u>74,913</u>
APPALACHIAN REGIONAL COMMISSION		
<i>Direct Program</i>		
Appalachian Area Development	23.002	<u>250,000</u>
Total Appalachian Regional Commission		<u>250,000</u>
Total Expenditures of Federal Awards		<u>\$4,353,934</u>

The accompanying notes are an integral part of this Schedule.

**CITY OF NELSONVILLE
ATHENS COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2023**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Nelsonville, Athens County, Ohio (the City) under programs of the federal government for the year ended December 31, 2023. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

**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
PO Box 370
Nelsonville, Ohio 45764

To the City Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Nelsonville, Athens County, Ohio (the City) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 15, 2025 wherein we noted the City restated Net Position at December 31, 2022 for the Business-Type Activities, Water Fund, Sewer Fund, and Nonmajor Enterprise Fund due to the identification of an understatement of accounts receivable and restated Capital Improvements due to the identification of an overstatement of debt payable.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as item 2023-002 to be a material weakness.

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. We consider the deficiencies described in the accompanying Schedule of Findings as item 2023-001 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Corrective Action Plan. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

KEITH FABER
Ohio Auditor of State



Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

July 15, 2025

OHIO AUDITOR OF STATE KEITH FABER

65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

City of Nelsonville
Athens County
PO Box 370
Nelsonville, Ohio 45764

To the City Council:

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited City of Nelsonville's, Athens County, (City) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the City of Nelsonville's major federal program for the year ended December 31, 2023. The City of Nelsonville's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings.

In our opinion, the City of Nelsonville complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

The City's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

City of Nelsonville
Athens County
Independent Auditor's Report on Compliance with Requirements
Applicable to the Major Federal Program and on Internal Control Over
Compliance Required by the Uniform Guidance
Page 3

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

KEITH FABER
Ohio Auditor of State

A handwritten signature in black ink that reads "Tiffany L. Ridenbaugh". The signature is written in a cursive, flowing style.

Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

July 15, 2025

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**CITY OF NELSONVILLE
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2023**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Water and Waste Disposal Systems for Rural Communities, AL# 10.760
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

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

FINDING NUMBER 2023-001

Significant Deficiency- Bank Reconciliation

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

**CITY OF NELSONVILLE
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2023
(Continued)**

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

FINDING NUMBER 2023-001 (Continued)

Significant Deficiency- Bank Reconciliation (Continued)

The City Treasurer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Council and/or other administrator are responsible for reviewing the reconciliations and related support.

Bank to book reconciliations were prepared monthly in 2023. However, the reconciliations were only completed for the activity for the month. As a result, the actual fund balance to bank reconciliation at December 31, 2023 had an unidentified variance of \$4,814. Failure to accurately reconcile full fund balance to bank accounts monthly increases the possibility that the City will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Treasurer should prepare monthly bank to book cash reconciliations with the County Auditor's Fund Balances and all bank accounts. Variances should be investigated, documented and corrected. In addition, Council should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

Officials' Response: See Corrective Action Plan.

FINDING NUMBER 2023-002

Material Weakness- Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

For the year ended December 31, 2023:

- In the Sewer Fund, additions to principal balances for debt were incorrectly posted as Capital Grant and Contributions Revenue, resulting in a decrease in Capital Grants and Contributions and a decrease in Contractual Services of \$204,203.
- Overstatement of debt activity in the Capital Improvements Fund resulted in a decrease in Principal Retirement of \$12,739, a decrease in Interest expenditures of \$769 and an increase in Capital Outlay of \$13,508.
- In the American Rescue Plan Fund, Accounts Payable was understated resulting in an increase in Accounts Payable, an increase in Capital Outlay, an increase in Intergovernmental revenues, and decreased in Unearned Revenue of \$46,972.
- Construction in Progress was understated In the Water Fund resulting in an increase in Non-depreciable Capital Assets and a decrease in Contract Services for \$138,119.

**CITY OF NELSONVILLE
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2023
(Continued)**

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

FINDING NUMBER 2023-002 (Continued)

Material Weakness- Financial Reporting (Continued)

In addition to the mis-postings identified above, the City's Notes to the Basic Financial Statements also required material adjustment to account for these audit adjustments. The City's financial statement and notes to the financial statement oversight and review procedures were not sufficient to help ensure activity is properly recorded and reported in the financial statements and notes. As a result, the significant adjustments noted above, with which the City's management agrees, were made, and are reflected in the accompanying financial statements and notes to the financial statements.

To ensure the City's financial statements and notes to the financial statements are complete and accurate, the City Auditor, or other designated City Official, should implement review procedures for revenues and expenditures, and year end balances to ensure amounts have been properly recorded. In addition, the City should implement financial statement and notes to the financial statement oversight and review procedures to be performed prior to filing those statements and notes in the Hinkle System.

Officials' Response: See Corrective Action Plan.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
DECEMBER 31, 2023

Finding Number	Finding Summary	Status	Additional Information
2022-001	Material Weakness related to financial reporting due to material audit adjustments identified.	Not Corrected	The error looks to have happened when processing financial asset summaries, where a capital asset was considered incorrectly before the final draft. The City had already increased the amount of scrutiny and review of the financial compilations in the few years leading up to Audit year 2023. In the future, the City will work to add additional steps of review to the LGS financial compilation to ensure accurate reporting of concrete assets that the City owns. The City highly values an accurate and complete audit process and has made strides to bring that about. These additional steps and reviews will get us closer to that goal, as well.

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CORRECTIVE ACTION PLAN **2 CFR § 200.511(c)** **DECEMBER 31, 2023**

Finding Number:	2023-001
Planned Corrective Action:	This administration began the year 2020 with an unreconciled and difficult to discern set of books. After many reconciliations and reviews, the City found a difference of just over \$37,000 between bank and book balances. In the last several years since 2020, the Auditor and Treasurer have worked hard together to find all variances and get the City's accounts into functioning order. The City has been very successful on this front, overall. At the end of 2023, the variance between bank and book had been whittled down to \$4,814. Fortunately, that difference looks to have shrunk to nearly zero in audit year 2024 according to the City's reconciliations. The City will continue to mandate monthly reconciliations and the repair of all variances and mispostings. Further work and review will be poured into the small final variance. The Auditor and Treasurer will report to the City Council monthly and ensure effective oversight of the taxpayers' dollars.
Anticipated Completion Date:	12/31/2026
Responsible Contact Person:	City of Nelsonville Auditor and Treasurer
Finding Number:	2023-002
Planned Corrective Action:	The error looks to have happened when processing financial asset summaries, where a capital asset was considered incorrectly before the final draft. In the future, the City will work to add additional steps of review to the LGS financial compilation to ensure accurate reporting of concrete assets that the City owns. The City highly values an accurate and complete audit process and has made strides to bring that about. These additional steps and reviews will get us closer to that goal, as well.
Anticipated Completion Date:	12/31/2025
Responsible Contact Person:	City of Nelsonville Auditor

OHIO AUDITOR OF STATE KEITH FABER



CITY OF NELSONVILLE

ATHENS COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 7/31/2025

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

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