



Dave Yost • Auditor of State

**CITY OF ATHENS
ATHENS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

City of Athens
Athens County
8 E. Washington Street
Athens, Ohio 45701

To the City Council:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

As discussed in Note 4 to the financial statements, during the year ended December 31, 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted to opine on the City's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards (the Schedule) presents additional analysis 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 and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2016, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

September 13, 2016

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

The discussion and analysis of the City of Athens's (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2015. The purpose of this discussion and analysis is to look at the City's financial performance and discuss pertinent points to better help the reader understand our performance.

Financial Highlights

1. The City's total net position increased \$6,277,932; net position of the governmental activities increased \$5,484,060; and net position of the business-type activities increased \$793,872.
2. The General Fund fund balance of \$2,180,790 decreased \$299,899 or 12.09 percent from the previous year's balance of \$2,480,689.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Athens's basic financial statements. The City of Athens's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements - The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector businesses.

The *statement of net position* presents information on all of the City of Athens's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the recent fiscal year.

Both of the government-wide financial statements distinguish functions of the City of Athens that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, security of persons and property, transportation, community environment, and leisure time activities. The business-type activities include water, sewer, garbage, and parking garage operations.

The government-wide financial statements can be found starting on page 15 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law and by bond covenants. However, the Auditor establishes many other funds to help control and manage money for particular purposes or to show that the City is meeting legal responsibilities for using certain taxes, grants and other money. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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Governmental Funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental fund statements use the modified accrual basis of accounting and provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information may be useful in evaluating a government's near term financing requirements. We describe the relationship (or differences) between governmental activities (reported in the *statement of net position* and the *statement of activities*) and governmental funds in a reconciliation which follows the fund financial statements.

The City of Athens maintains 40 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances, for the General Fund and Street Fund, which are considered to be major funds. Data from the other 38 governmental funds are combined into a single, aggregated presentation.

Proprietary Funds - The City uses proprietary funds to account for its water, sewer, garbage and parking garage operations and internal service operations. Proprietary funds are reported in the same way that all activities are reported in the *statement of net position* and the *statement of activities* using the full accrual basis of accounting. The enterprise funds are used to report the same activities presented as business-type activities in the government-wide financial statements.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources from those funds are not available to support the City's programs. The accounting used for fiduciary funds is much like that used for the proprietary funds.

Notes to the Basic Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

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.

The *statement of net position* and the *statement of activities* include all assets and liabilities using the full accrual basis of accounting similar to the accounting used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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Table 1 provides a summary of the City's net position for 2015 compared to 2014:

Table 1
Net Position

	<u>Governmental</u>	<u>Activities</u>	<u>Business-Type</u>	<u>Activities</u>	<u>Total</u>	
	2015	2014 Restated	2015	2014 Restated	2015	2014 Restated
<u>Assets:</u>						
Current and Other Assets	\$12,398,788	\$11,362,999	\$9,069,670	\$6,711,449	\$21,468,458	\$18,074,448
Capital Assets, Net	79,599,445	75,312,757	35,969,090	29,913,714	115,568,535	105,226,471
<i>Total Assets</i>	<u>91,998,233</u>	<u>86,675,756</u>	<u>45,038,760</u>	<u>36,625,163</u>	<u>137,036,993</u>	<u>123,300,919</u>
<i>Total Deferred Outflows of Resources</i>	<u>1,927,746</u>	<u>1,299,091</u>	<u>315,092</u>	<u>218,797</u>	<u>2,242,838</u>	<u>1,517,888</u>
<u>Liabilities:</u>						
Current and Other Liabilities	2,257,313	1,952,708	1,308,395	1,281,997	3,565,708	3,234,705
<i>Long-Term Liabilities:</i>						
Due Within One Year	1,257,180	1,243,957	1,314,841	461,838	2,572,021	1,705,795
<i>Due in More Than One Year:</i>						
Net Pension Liability	13,329,361	12,700,041	1,698,171	1,659,815	15,027,532	14,359,856
Other Amounts	787,310	1,397,783	20,035,806	13,267,377	20,823,116	14,665,160
<i>Total Liabilities</i>	<u>17,631,164</u>	<u>17,294,489</u>	<u>24,357,213</u>	<u>16,671,027</u>	<u>41,988,377</u>	<u>33,965,516</u>
<i>Total Deferred Inflows of Resources</i>	<u>956,413</u>	<u>826,016</u>	<u>29,834</u>	<u>0</u>	<u>986,247</u>	<u>826,016</u>
<u>Net Position:</u>						
Net Investments in Capital Assets	78,063,676	72,987,267	14,342,098	15,831,705	92,405,774	88,818,972
Restricted	6,649,498	6,354,783	0	0	6,649,498	6,354,783
Unrestricted	(9,374,772)	(9,487,708)	6,624,707	4,341,228	(2,750,065)	(5,146,480)
<i>Total Net Position</i>	<u>\$75,338,402</u>	<u>\$69,854,342</u>	<u>\$20,966,805</u>	<u>\$20,172,933</u>	<u>\$96,305,207</u>	<u>\$90,027,275</u>

During 2015, the City adopted GASB Statement No. 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of these financial statements will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

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

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

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

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

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

As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014 from \$81,255,292 to \$69,854,342 for governmental activities and from \$21,613,951 to \$20,172,933 for business type activities.

Current assets increased primarily from a rise in the equity in pooled cash and cash equivalents.

Capital assets increased due to the construction in progress and increase in infrastructure.

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Current and other liabilities increased as the result of an increase in contracts payable.

Long-term liabilities increased due to the issuance of an OWDA loan and as a result of the implementation of GASB 68 and the new method of accounting for net pension liability.

As noted earlier, the City's net position, when reviewed over time, may serve as a useful indicator of the City's financial position. By far, the largest portion of the City's net position 95.95 percent reflects its investments in capital assets (e.g., land, buildings, machinery and equipment, infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position represents resources that are subject to restrictions on how they can be used. These resources accounted for 6.90 percent of total net position. The remaining deficit balance of \$2,750,065 which is unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors. The City's total net position increased from \$90,027,275 in 2014 to \$96,305,207 in 2015, a change of \$6,277,932 or 6.97 percent.

In order to further understand what makes up the changes in net position for the current year, Table 2 gives readers further details regarding the results of activities for 2015 compared to 2014:

Table 2

Changes in Net Position

	<u>G</u> Governmental		<u>Activities</u>		<u>Business-Type</u>		<u>Activities</u>		<u>Total</u>	
	2015	2014	2015	2014	2015	2014	2015	2014		
<u>Revenues:</u>										
<i>Program Revenues:</i>										
Charges for Services	\$4,138,010	\$3,936,813	\$9,010,197	\$8,544,912	\$13,148,207	\$12,481,725				
Operating Grants and Contributions	1,178,408	1,039,906	0	0	1,178,408	1,039,906				
Capital Grants and Contributions	2,034,615	853,431	0	0	2,034,615	853,431				
<i>Total Program Revenues</i>	<u>7,351,033</u>	<u>5,830,150</u>	<u>9,010,197</u>	<u>8,544,912</u>	<u>16,361,230</u>	<u>14,375,062</u>				
<u>General Revenues:</u>										
Property Taxes	831,727	760,856	0	0	831,727	760,856				
Municipal Income Taxes	11,998,004	11,476,805	0	0	11,998,004	11,476,805				
Lodging Taxes	406,520	352,754	0	0	406,520	352,754				
Payment in Lieu of Taxes	507,985	514,145	0	0	507,985	514,145				
Grants and Entitlements	467,658	633,515	0	0	467,658	633,515				
Investment Earnings	29,047	69,448	23,052	43,902	52,099	113,350				
Miscellaneous	634,955	668,022	144,738	138,106	779,693	806,128				
<i>Total General Revenues</i>	<u>14,875,896</u>	<u>14,475,545</u>	<u>167,790</u>	<u>182,008</u>	<u>15,043,686</u>	<u>14,657,553</u>				
<i>Total Revenue</i>	<u>22,226,929</u>	<u>20,305,695</u>	<u>9,177,987</u>	<u>8,726,920</u>	<u>31,404,916</u>	<u>29,032,615</u>				

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

Table 2 - (Continued)
Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<i>Expenses:</i>						
General Government	5,790,053	5,562,985	0	0	5,790,053	5,562,985
<i>Security of Persons and Property:</i>						
Police	3,752,246	3,716,964	0	0	3,752,246	3,716,964
Fire	2,312,659	3,292,907	0	0	2,312,659	3,292,907
Transportation	2,139,679	3,386,740	0	0	2,139,679	3,386,740
Community and Econ. Dev.	1,003,978	810,360	0	0	1,003,978	810,360
Leisure Time Activities	1,722,535	1,653,868	0	0	1,722,535	1,653,868
Interest and Fiscal Charges	21,719	27,015	0	0	21,719	27,015
Garbage	0	0	1,169,725	1,156,358	1,169,725	1,156,358
Parking Garage	0	0	399,952	237,023	399,952	237,023
Water	0	0	3,553,399	3,609,502	3,553,399	3,609,502
Sewer	0	0	3,261,039	3,163,950	3,261,039	3,163,950
<i>Total Expenses</i>	<u>16,742,869</u>	<u>18,450,839</u>	<u>8,384,115</u>	<u>8,166,833</u>	<u>25,126,984</u>	<u>26,617,672</u>
Change in Net Position	5,484,060	1,854,856	793,872	560,087	6,277,932	2,414,943
Net Position at Beginning of Year	<u>69,854,342</u>	<u>N/A</u>	<u>20,172,933</u>	<u>N/A</u>	<u>90,027,275</u>	<u>N/A</u>
<i>Net Position at End of Year</i>	<u>\$75,338,402</u>	<u>\$69,854,342</u>	<u>\$20,966,805</u>	<u>\$20,172,933</u>	<u>\$96,305,207</u>	<u>\$90,027,275</u>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,517,888 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expenses of \$1,583,368. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Total 2015 program expenses under GASB 68	\$16,742,869	\$8,384,115	\$25,126,984
Pension expense under GASB 68	(1,386,990)	(196,378)	(1,583,368)
2015 contractually required contribution	<u>1,306,868</u>	<u>224,483</u>	<u>1,531,351</u>
Adjusted 2015 program expenses	16,662,747	8,412,220	25,074,967
Total 2014 program expenses under GASB 27	<u>18,450,839</u>	<u>8,166,833</u>	<u>26,617,672</u>
Increase (Decrease) in program expenses not related to pension	<u>(\$1,788,092)</u>	<u>\$245,387</u>	<u>(\$1,542,705)</u>

City of Athens, Ohio
Management's Discussion and Analysis
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Unaudited

Governmental Activities

The most significant program expenses for the City are General Government, Police, Fire and Transportation. These programs account for 83.59 percent of the total governmental activities. General Government, which accounts for 34.58 percent of the total, represents costs associated with the general administration of city government including the City Council, Mayor, City Auditor, and Municipal Court. Police, which accounts for 22.41 percent of the total, represents costs associated with the operation of the Police Department. Fire, which accounts for 13.81 percent of the total, represents costs associated with providing firefighting and emergency medical services. Transportation, which accounts for 12.78 percent of the total, represents costs associated with maintaining and improving the City's streets and operating the bus transit system.

Funding for the most significant programs indicated above is from charges for services and income taxes. The income tax revenue for 2015 was \$11,998,004. Of the \$22,226,929 in total revenues, income tax accounts for 53.98 percent of that total. Charges for services of \$4,138,010 accounts for 18.62 percent of total revenues. Operating and capital grants and contributions account for 14.45 percent of the total, and lodging taxes, payments in lieu of taxes, grants and entitlements, property taxes, interest, unrestricted contributions, and other revenue make up the remaining 12.95 percent.

The City monitors its sources of revenues very closely for fluctuations.

Business-Type Activities

The City's business-type activities include the City's water, sewer, garbage, and parking garage operations. Net position increased by \$793,872 or 3.94 percent for 2015.

Table 3, for governmental activities, indicates the total cost of services and the net cost of services. The *statement of activities* reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by income and property tax revenues and unrestricted intergovernmental revenues.

Table 3
Net Cost of Governmental Activities

	Total Cost of Services		Net Costs of Services	
	2015	2014	2015	2014
General Government	\$5,790,053	\$5,562,985	\$2,335,598	\$2,293,266
<i>Security of Persons and Property:</i>				
Police	3,752,246	3,716,964	3,622,249	3,595,006
Fire	2,312,659	3,292,907	2,248,959	3,230,259
Transportation	2,139,679	3,386,740	(456,481)	2,002,356
Community and Econ. Development	1,003,978	810,360	688,490	602,729
Leisure Time Activities	1,722,535	1,653,868	931,302	870,058
Interest and Fiscal Charges	21,719	27,015	21,719	27,015
Total Expenses	\$16,742,869	\$18,450,839	\$9,391,836	\$12,620,689

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Unaudited

It should be noted that 43.91 percent of the costs of services for governmental activities are derived from program revenues including charges for services, operating grants, capital grants, and other contributions.

As shown by the total net costs of \$9,391,836 the remainder of the City's programs are funded by general revenues. A significant portion of the total general revenues consists of income taxes, property taxes, and grants and entitlements.

Financial Analysis of the City's Funds

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year. These funds are accounted for by using the modified accrual basis of accounting.

The General Fund is the chief operating fund of the City. At the end of 2015, the total fund balance for the General Fund was \$2,180,790, of which a deficit of \$86,662 was unassigned. During the current year, the fund balance of the City's General Fund decreased by \$299,899 or 12.09 percent. The decrease in the General Fund balance is primarily due to a decrease in income tax revenue during the year.

For the other major fund of the City, the Street Fund balance decreased \$9,265 or 1.12 percent due to a decrease in income tax revenue during the year.

Proprietary Funds

The City's major proprietary funds are the Parking Garage, Water and Sewer funds. The City operates a parking garage with monthly and hourly spaces. Net position in the Parking Garage Fund decreased \$65,012 or 3.11 percent, which is the result of an increase in materials and supplies expenses during 2015. The City provides water and sewer services to city residents. Net position in the Water Fund decreased by \$147,157 or 2.40 percent, which is the result of an increase in revenues still not exceeding expenses during 2015. Net position in the Sewer Fund increased by \$797,433 or 7.42 percent, which is the result of an increase in charges for services revenues during the year.

Major Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a budget basis of cash receipts (revenues), and disbursements and encumbrances (expenditures). The most significant budgeted fund is the General Fund. The City does allow small interdepartmental budget changes that modify line items within departments within the same fund.

For the General Fund, the final budgeted revenues were \$12,549,539 representing a change of \$413,057 or 3.40 percent from the original budgeted estimates.

For the General Fund, the final budget basis expenditures were \$13,487,608 representing a change of \$630,486 or 4.90 percent from the original budgeted estimates. There was a 5.23 percent positive variance in actual expenditures as compared to the final budget in the General Fund. This was due to the fact that the various departments kept their spending levels below their appropriations.

For the Street Fund, the final budgeted revenues were \$2,455,198 representing a change of \$175,696 or 7.71 percent from the original budgeted revenues.

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

For the Street Fund, the final budget basis expenditures were \$2,713,705 representing a change of \$589,611 or 27.76 percent from the original budgeted estimates. There was a 4.11 percent positive variance in actual expenditures as compared to the final budget in the Street Fund. This was due to the fact that the department kept its spending levels below its appropriations.

Capital Assets and Debt Administration

The City's investment in capital assets for governmental and business-type activities as of December 31, 2015, amounts to \$92,405,774 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings, improvements, equipment and infrastructure.

Total capital assets for governmental activities of the City of Athens for the year 2015 were \$79,599,445.

The capital assets for business-type activities of \$35,969,090 as of December 31, 2015.

The City manages its street network using its Pavement Condition Rating Program and accounts for them using the modified approach. The street condition rating is a numerical condition scale ranging from 1.0 (severely deficient) to 10.0 (new). A street is considered "severely deficient" - that is, needs maintenance or preservation - when its condition falls below 2.0. A street is unsafe-substantially deficient - when it falls below condition level 5. It is the City's policy to keep the value of "severely deficient" streets below 5 percent. The most recent condition assessment shows that the condition of the City's streets is in accordance with the City's policy

Additional information concerning the City's capital assets can be found in note 11 of the Notes to the Basic Financial Statements.

As of December 31, 2015, the City of Athens had \$21,989,349 in long-term bonds, notes, and loans outstanding with \$824,567 due within one year.

Outstanding general obligation bonds and notes consist of a community center improvement bond issue and a street improvement bond. General obligation bonds are direct obligations of the City for which its full faith, credit and resources are pledged.

Long-term loans in the Water and Sewer funds are OWDA loans for improvements to water and sewer lines and a parking garage renovation bond issue.

In addition to the bonded debt, the City's long-term obligations include compensated absences. Additional information concerning the City's debt can be found in note 13 of the notes to the basic financial statements.

Current Known Facts and Conditions

The City of Athens relies mainly on the public sector and commercial employers, rather than industry, for its income tax revenue. The City's largest employer is Ohio University, with over 3,700 total employees. Other major employers include the State of Ohio, Athens County, Athens City, and Athens City School District. The largest private employers include The Kroger Co., Quidel (formerly Diagnostic Hybrids), O'Bleness Memorial Hospital, Holzer Medical Center, and Wal-Mart.

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

Phase one of Ohio University's Housing Development Plan for East and South Greens which consists of construction of new residence halls, a central learning commons and central office facility for Residential Housing, a \$110 million project, was completed in the Fall of 2015. Ohio University's fiscal year 2015 budget includes plans for spending \$233 million in construction, improvements and deferred maintenance on the Athens campus.

Citywide construction activity in 2015 resulted in the issuance of 51 new commercial construction permits for construction valued at \$6,680,278. New residential construction resulted in 2 (three & four units) permits, valued at \$2,110,000, 2 (five or more units) permits valued at \$20,360,000 and 8 (single units) permits valued at \$1,860,000. Forty-five (45) permits for Residential Alterations were issued with a value of \$4,609,620.

A couple of small breweries, retail shops and restaurants, as well as, the Fairfield Inn and Suites by Marriott opened in the City in 2015.

Income tax receipts, the City's major source of revenue, have maintained a steady growth rate of about 2 percent per year. We continue to work with the Law Director's office to make sure we are collecting all monies due to the City.

Cuts in local and state funding continue to be cause for concern. The local economy, having experienced some of the economic downturn realized in other parts of the nation, is starting to see a slow resurgence. The City continues to successfully apply for grants whenever possible to assist in financing programs in the recreation department, municipal court, and police department. Grants also cover a significant amount of the cost for updating infrastructure, the support of local housing as well as public transportation programs.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions or need additional financial information, contact the City Auditor's Office, 8 East Washington Street, Athens, Ohio 45701.

CITY OF ATHENS, OHIO
Statement of Net Position
December 31, 2015

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash & Cash Equivalents	\$9,911,499	\$7,964,864	\$17,876,363
Cash and Cash Equivalents in Segregated Accounts	77,665	0	77,665
Accrued Interest Receivable	2,006	0	2,006
Accounts Receivable	67,971	748,358	816,329
Intergovernmental Receivable	173,940	0	173,940
Income Taxes Receivable	875,505	0	875,505
Property Taxes Receivable	939,514	0	939,514
Other Local Taxes Receivable	97,593	0	97,593
Special Assessments Receivable	1,936	27,551	29,487
Materials and Supplies Inventory	151,058	291,659	442,717
Prepaid Items	100,101	37,238	137,339
<i>Restricted Assets:</i>			
Nondepreciable Capital Assets	56,166,747	19,083,843	75,250,590
Depreciable Capital Assets, Net	23,432,698	16,885,247	40,317,945
<i>Total Assets</i>	<u>91,998,233</u>	<u>45,038,760</u>	<u>137,036,993</u>
Deferred Outflows of Resources	<u>1,927,746</u>	<u>315,092</u>	<u>2,242,838</u>
Liabilities:			
Accounts Payable	232,352	330,851	563,203
Contracts Payable	220,163	209,188	429,351
Accrued Wages Payable	495,671	134,858	630,529
Matured Compensated Absences Payable	10,075	0	10,075
Intergovernmental Payable	286,017	42,599	328,616
Accrued Interest Payable	5,605	40,899	46,504
Claims Payable	314,019	0	314,019
Notes Payable	693,411	550,000	1,243,411
<i>Long-Term Liabilities:</i>			
Due within One Year	1,257,180	1,314,841	2,572,021
<i>Due in More Than One Year:</i>			
Net Pension Liability	13,329,361	1,698,171	15,027,532
Other Amounts Due in More Than One Year	787,310	20,035,806	20,823,116
<i>Total Liabilities</i>	<u>17,631,164</u>	<u>24,357,213</u>	<u>41,988,377</u>
Deferred Inflows of Resources	<u>956,413</u>	<u>29,834</u>	<u>986,247</u>
Net Position:			
Net Investments in Capital Assets	78,063,676	14,342,098	92,405,774
<i>Restricted for:</i>			
Street Maintenance	674,993	0	674,993
Debt Service	1,021,837	0	1,021,837
Capital Outlay	1,995,095	0	1,995,095
Other Purposes	2,957,573	0	2,957,573
Unrestricted	<u>(9,374,772)</u>	<u>6,624,707</u>	<u>(2,750,065)</u>
<i>Total Net Position</i>	<u>\$75,338,402</u>	<u>\$20,966,805</u>	<u>\$96,305,207</u>

See accompanying notes to the basic financial statements.

CITY OF ATHENS, OHIO
Statement of Activities
For the Year Ended December 31, 2015

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$5,790,053	\$3,257,040	\$149,435	\$47,980
<i>Security of Persons and Property:</i>				
Police	3,752,246	27,583	102,414	0
Fire	2,312,659	0	63,700	0
Transportation	2,139,679	76,289	533,236	1,986,635
Community and Economic Development	1,003,978	0	315,488	0
Leisure Time Activities	1,722,535	777,098	14,135	0
Interest and Fiscal Charges	21,719	0	0	0
<i>Total Governmental Activities</i>	<u>16,742,869</u>	<u>4,138,010</u>	<u>1,178,408</u>	<u>2,034,615</u>
Business-Type Activities:				
Garbage	1,169,725	1,286,787	0	0
Parking Garage	399,952	281,760	0	0
Water	3,553,399	3,398,278	0	0
Sewer	3,261,039	4,043,372	0	0
<i>Total Business-Type Activities</i>	<u>8,384,115</u>	<u>9,010,197</u>	<u>0</u>	<u>0</u>
<i>Totals</i>	<u>\$25,126,984</u>	<u>\$13,148,207</u>	<u>\$1,178,408</u>	<u>\$2,034,615</u>

General Revenues:

Property Taxes
Income Taxes:
 General Purposes
 Debt Service
 Capital Outlay
Lodging Taxes
Payment in Lieu of Taxes
Grants and Entitlements not Restricted to Specific Programs
Investment Earnings
Miscellaneous

Total General Revenues

Change in Net Position

Net Position at Beginning of Year, As Restated (See Note 4)

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
(\$2,335,598)	\$0	(\$2,335,598)
(3,622,249)	0	(3,622,249)
(2,248,959)	0	(2,248,959)
456,481	0	456,481
(688,490)	0	(688,490)
(931,302)	0	(931,302)
(21,719)	0	(21,719)
(9,391,836)	0	(9,391,836)
0	117,062	117,062
0	(118,192)	(118,192)
0	(155,121)	(155,121)
0	782,333	782,333
0	626,082	626,082
(9,391,836)	626,082	(8,765,754)
831,727	0	831,727
10,343,750	0	10,343,750
727,325	0	727,325
926,929	0	926,929
406,520	0	406,520
507,985	0	507,985
467,658	0	467,658
29,047	23,052	52,099
634,955	144,738	779,693
14,875,896	167,790	15,043,686
5,484,060	793,872	6,277,932
69,854,342	20,172,933	90,027,275
<u>\$75,338,402</u>	<u>\$20,966,805</u>	<u>\$96,305,207</u>

CITY OF ATHENS, OHIO

Balance Sheet

Governmental Funds

December 31, 2015

	General	Street	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$2,684,647	\$598,264	\$6,094,680	\$9,377,591
Cash and Cash Equivalents in Segregated Account:	61,848	0	15,817	77,665
Accrued Interest Receivable	2,006	0	0	2,006
Accounts Receivable	26,153	0	41,818	67,971
Intergovernmental Receivable	70,133	80,309	23,498	173,940
Income Taxes Receivable	518,299	133,077	224,129	875,505
Property Taxes Receivable	939,514	0	0	939,514
Other Local Taxes Receivable	29,278	0	68,315	97,593
Special Assessments Receivable	1,936	0	0	1,936
Materials and Supplies Inventory	25,517	125,541	0	151,058
Prepaid Items	63,964	4,798	19,150	87,912
<i>Total Assets</i>	<u>\$4,423,295</u>	<u>\$941,989</u>	<u>\$6,487,407</u>	<u>\$11,852,691</u>
Liabilities:				
Accounts Payable	\$136,782	\$10,372	\$79,668	\$226,822
Contracts Payable	4,322	39,835	176,006	220,163
Accrued Wages Payable	403,475	43,060	40,541	487,076
Matured Compensated Absences	0	10,075	0	10,075
Accrued Interest Payable	558	0	0	558
Intergovernmental Payable	132,507	21,079	128,621	282,207
Notes Payable	623,411	0	70,000	693,411
<i>Total Liabilities</i>	<u>1,301,055</u>	<u>124,421</u>	<u>494,836</u>	<u>1,920,312</u>
Deferred Inflows of Resources	<u>941,450</u>	<u>0</u>	<u>0</u>	<u>941,450</u>
Fund Balances:				
Nonspendable	93,838	130,339	162,786	386,963
Restricted	0	687,229	5,829,785	6,517,014
Assigned	2,173,614	0	0	2,173,614
Unassigned	(86,662)	0	0	(86,662)
<i>Total Fund Balances</i>	<u>2,180,790</u>	<u>817,568</u>	<u>5,992,571</u>	<u>8,990,929</u>
<i>Total Liabilities, Deferred Inflows and Fund Balances</i>	<u>\$4,423,295</u>	<u>\$941,989</u>	<u>\$6,487,407</u>	<u>\$11,852,691</u>

See accompanying notes to the basic financial statements.

CITY OF ATHENS, OHIO
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2015*

Total Governmental Funds Balances		\$8,990,929
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (less: Internal Service Fund amount)		79,551,335
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Taxes		64,494
In the statement of activities, interest is accrued on outstanding debt, whereas in the governmental funds, an interest expenditure is reported when due.		(5,047)
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(440,000)	
Premium On Bonds	(10,975)	
Special Assessment Bonds	(391,383)	
Notes	(1,169,689)	
Total		(2,012,047)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:		
Deferred Outflows - Pension	1,927,746	
Deferred Inflows - Pension	(79,457)	
Net Pension Liability	(13,329,361)	
Total		(11,481,072)
Internal service funds are used by management to charge the costs of services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		229,810
<i>Net Position of Governmental Activities</i>		\$75,338,402

See accompanying notes to the basic financial statements.

CITY OF ATHENS, OHIO
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2015

	General	Street	All Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$827,672	\$0	\$0	\$827,672
Municipal Income Taxes	7,433,576	1,934,915	2,629,513	11,998,004
Other Local Taxes	171,388	0	235,132	406,520
Payments in Lieu of Taxes	0	0	507,985	507,985
Charges for Services	1,014,965	0	886,600	1,901,565
Licenses and Permits	672,571	0	99,792	772,363
Fines and Forfeitures	1,269,266	0	184,339	1,453,605
Intergovernmental	626,287	400,095	2,587,615	3,613,997
Special Assessments	836	0	7,705	8,541
Interest	9,052	1,213	16,834	27,099
Contributions and Donations	57,600	0	9,084	66,684
Other	299,814	102,501	232,640	634,955
<i>Total Revenues</i>	<u>12,383,027</u>	<u>2,438,724</u>	<u>7,397,239</u>	<u>22,218,990</u>
Expenditures:				
<i>Current:</i>				
General Government	4,844,654	0	536,797	5,381,451
Security of Persons and Property:				
Police	3,622,812	0	4,863	3,627,675
Fire	2,599,946	0	0	2,599,946
Transportation	483,766	2,399,349	445,148	3,328,263
Community and Economic Development	603,624	0	405,117	1,008,741
Leisure Time Services	0	0	1,742,731	1,742,731
Capital Outlay	0	0	3,215,573	3,215,573
<i>Debt Service:</i>				
Principal Retirement	0	38,747	610,000	648,747
Interest and Fiscal Charges	977	9,893	23,491	34,361
<i>Total Expenditures</i>	<u>12,155,779</u>	<u>2,447,989</u>	<u>6,983,720</u>	<u>21,587,488</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>227,248</u>	<u>(9,265)</u>	<u>413,519</u>	<u>631,502</u>
Other Financing Sources (Uses):				
Transfers In	47,980	0	709,477	757,457
Transfers Out	(575,127)	0	(182,330)	(757,457)
<i>Total Other Financing Sources (Uses)</i>	<u>(527,147)</u>	<u>0</u>	<u>527,147</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(299,899)	(9,265)	940,666	631,502
<i>Fund Balances at Beginning of Year</i>	<u>2,480,689</u>	<u>826,833</u>	<u>5,051,905</u>	<u>8,359,427</u>
<i>Fund Balances at End of Year</i>	<u>\$2,180,790</u>	<u>\$817,568</u>	<u>\$5,992,571</u>	<u>\$8,990,929</u>

See accompanying notes to the basic financial statements.

CITY OF ATHENS, OHIO
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2015*

Net Change in Fund Balances - Total Governmental Funds	\$631,502
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the state of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:	
Capital Asset Additions	5,226,652
Current Year Depreciation	<u>(968,355)</u>
Total	4,258,297
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	
	(19,719)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Property Taxes	5,991
Repayment of principal (e.g. bonds, notes, leases) is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
	648,747
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	
	1,668
Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as an expenditure in the governmental funds.	
Compensated Absences Payable	(57,795)
Premium on Bonds	<u>10,974</u>
Total	(46,821)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred revenues.	
	1,306,868
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	
	(1,386,990)
Internal service funds used by management to charges cost of services to individual funds are not reported in the government-wide statement of activities. Governmental expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of internal service funds are allocated among the activities.	
	<u>84,517</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>\$5,484,060</u></u>

See accompanying notes to the basic financial statements.

CITY OF ATHENS, OHIO
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$810,150	\$827,850	\$827,672	(\$178)
Income Taxes	7,095,730	7,476,730	7,475,758	(972)
Other Local Taxes	180,000	202,000	201,408	(592)
Charges for Services	937,280	1,017,280	1,013,884	(3,396)
Licenses and Permits	818,000	680,300	673,630	(6,670)
Fines and Forfeitures	1,385,100	1,267,200	1,263,899	(3,301)
Intergovernmental	655,710	707,937	699,136	(8,801)
Special Assessments	1,000	1,000	836	(164)
Interest	20,000	9,500	9,015	(485)
Contributions and Donations	50,000	57,700	57,600	(100)
Other	183,512	302,042	301,374	(668)
<i>Total Revenues</i>	12,136,482	12,549,539	12,524,212	(25,327)
Expenditures:				
<i>Current:</i>				
General Government	5,190,574	5,633,746	5,230,240	403,506
<i>Security of Persons and Property:</i>				
Police	3,717,814	3,803,211	3,683,400	119,811
Fire	2,590,358	2,692,551	2,630,767	61,784
Transportation	558,614	536,447	474,816	61,631
Community and Economic Development	624,889	646,780	612,753	34,027
<i>Debt Service:</i>				
Principal Retirements	150,089	150,089	150,000	89
Interest and Fiscal Charges	24,784	24,784	448	24,336
<i>Total Expenditures</i>	12,857,122	13,487,608	12,782,424	705,184
<i>Excess of Revenues Over (Under) Expenditures</i>	(720,640)	(938,069)	(258,212)	679,857
Other Financing Sources (Uses):				
Transfers - In	0	47,980	47,980	0
Transfers- Out	(575,127)	(575,127)	(575,127)	0
Notes Issued	125,000	623,411	623,411	0
<i>Total Other Financing Sources (Uses)</i>	(450,127)	96,264	96,264	0
<i>Net Change in Fund Balance</i>	(1,170,767)	(841,805)	(161,948)	679,857
Fund Balances at Beginning of Year	1,779,589	1,779,589	1,779,589	0
Prior Year Encumbrances Appropriated	487,401	487,401	487,401	0
Fund Balances at End of Year	\$1,096,223	\$1,425,185	\$2,105,042	\$679,857

See accompanying notes to the basic financial statements.

CITY OF ATHENS, OHIO
*Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Budget Basis)*
Street Fund
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Income Taxes	\$1,846,802	\$1,945,802	\$1,945,745	(\$57)
Intergovernmental	326,000	404,783	404,593	(190)
Interest	4,700	1,213	1,213	0
Other	102,000	103,400	102,501	(899)
<i>Total Revenues</i>	<u>2,279,502</u>	<u>2,455,198</u>	<u>2,454,052</u>	<u>(1,146)</u>
Expenditures:				
<i>Current:</i>				
Transportation	2,075,454	2,665,065	2,553,555	111,510
Debt Service:				
Principal Retirements	38,747	38,747	38,747	0
Interest and Fiscal Charges	9,893	9,893	9,893	0
<i>Total Expenditures</i>	<u>2,124,094</u>	<u>2,713,705</u>	<u>2,602,195</u>	<u>111,510</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	155,408	(258,507)	(148,143)	110,364
Other Financing Sources:				
Bonds Issued	350,000	0	0	0
<i>Total Other Financing Sources</i>	<u>350,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	505,408	(258,507)	(148,143)	110,364
Fund Balances at Beginning of Year	308,635	308,635	308,635	0
Prior Year Encumbrances Appropriated	244,078	244,078	244,078	0
Fund Balances at End of Year	<u>\$1,058,121</u>	<u>\$294,206</u>	<u>\$404,570</u>	<u>\$110,364</u>

See accompanying notes to the basic financial statements.

CITY OF ATHENS, OHIO
Statement of Fund Net Position
Proprietary Funds
December 31, 2015

	Business-Type Activities				Governmental Activities	
	Parking Garage	Water	Sewer	All Other Enterprise Funds	Totals	Internal Service Funds
Assets:						
<i>Current:</i>						
Equity in Pooled Cash & Cash Equivalents	\$1,786,696	\$981,456	\$3,811,019	\$1,385,693	\$7,964,864	\$533,908
Accounts Receivable	4,035	314,488	316,754	113,081	748,358	0
Special Assessments Receivable	0	27,551	0	0	27,551	0
Materials and Supplies Inventory	0	273,695	17,964	0	291,659	0
Prepaid Items	1,105	19,291	15,910	932	37,238	12,189
<i>Noncurrent:</i>						
Nondepreciable Capital Assets	1,141,329	152,871	17,774,968	14,675	19,083,843	0
Depreciable Capital Assets, Net	1,215,691	6,324,052	9,345,504	0	16,885,247	48,110
Total Assets	4,148,856	8,093,404	31,282,119	1,514,381	45,038,760	594,207
Deferred Outflows of Resources	0	154,929	160,163	0	315,092	0
Liabilities:						
<i>Current:</i>						
Accounts Payable	1,943	124,580	119,698	84,630	330,851	5,530
Contracts Payable	206,605	0	2,583	0	209,188	0
Accrued Wages Payable	0	58,848	73,236	2,774	134,858	8,595
Compensated Absences Payable	0	104,693	75,570	2,115	182,378	24,957
Intergovernmental Payable	219	23,014	18,535	831	42,599	3,810
Accrued Interest Payable	3,642	0	37,257	0	40,899	0
Claims Payable	0	0	0	0	0	314,019
Notes Payable	0	0	550,000	0	550,000	0
General Obligation Bonds Payable	115,000	0	0	0	115,000	0
OWDA Loans Payable	0	24,000	993,463	0	1,017,463	0
<i>Noncurrent Liabilities:</i>						
Compensated Absences Payable	0	42,694	46,491	2,092	91,277	7,486
General Obligation Bonds Payable	1,795,000	0	0	0	1,795,000	0
OWDA Loans Payable	0	1,046,091	17,103,438	0	18,149,529	0
Net Pension Liability	0	834,979	863,192	0	1,698,171	0
Total Liabilities	2,122,409	2,258,899	19,883,463	92,442	24,357,213	364,397
Deferred Inflows of Resources	0	14,669	15,165	0	29,834	0
Net Position:						
Net Investments in Capital Assets	447,020	5,406,832	8,473,571	14,675	14,342,098	48,110
Unrestricted	1,579,427	567,933	3,070,083	1,407,264	6,624,707	181,700
Total Net Position	\$2,026,447	\$5,974,765	\$11,543,654	\$1,421,939	\$20,966,805	\$229,810

See accompanying notes to the basic financial statements.

CITY OF ATHENS, OHIO
*Statement of Revenues, Expenses and
Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2015*

	Business-Type Activities				Governmental	
	Parking Garage	Water	Sewer	All Other Enterprise Funds	Totals	Internal Service Funds
Operating Revenues:						
Charges for Services	\$281,760	\$3,398,278	\$4,043,372	\$1,286,787	\$9,010,197	\$3,486,140
Other	0	4,613	2,249	86,237	93,099	0
<i>Total Operating Revenues</i>	<u>281,760</u>	<u>3,402,891</u>	<u>4,045,621</u>	<u>1,373,024</u>	<u>9,103,296</u>	<u>3,486,140</u>
Operating Expenses:						
Personal Services	11,974	1,024,432	958,430	39,431	2,034,267	224,422
Fringe Benefits	6,329	505,527	472,736	24,854	1,009,446	112,959
Contractual Services	60,878	937,841	769,948	1,094,900	2,863,567	545,750
Materials and Supplies	199,810	390,629	211,316	10,218	811,973	55,543
Utilities	17,022	316,134	412,600	0	745,756	3,127
Claims	0	0	0	0	0	3,167,968
Depreciation	41,170	360,285	370,249	0	771,704	5,346
<i>Total Operating Expenses</i>	<u>337,183</u>	<u>3,534,848</u>	<u>3,195,279</u>	<u>1,169,403</u>	<u>8,236,713</u>	<u>4,115,115</u>
<i>Operating Income (Loss)</i>	<u>(55,423)</u>	<u>(131,957)</u>	<u>850,342</u>	<u>203,621</u>	<u>866,583</u>	<u>(628,975)</u>
Non-Operating Revenues (Expenses):						
Interest Income	3,155	2,437	12,151	5,309	23,052	1,948
Other Non-Operating Revenues	50,025	914	700	0	51,639	711,544
Loss on Disposal of Capital Assets	0	0	(6,585)	0	(6,585)	0
Interest and Fiscal Charges	(31,201)	(18,158)	(58,722)	0	(108,081)	0
Other Non-Operating Expenses	(43)	(393)	(453)	(322)	(1,211)	0
Bond Issuance Costs	(31,525)	0	0	0	(31,525)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(9,589)</u>	<u>(15,200)</u>	<u>(52,909)</u>	<u>4,987</u>	<u>(72,711)</u>	<u>713,492</u>
<i>Change in Net Position</i>	<u>(65,012)</u>	<u>(147,157)</u>	<u>797,433</u>	<u>208,608</u>	<u>793,872</u>	<u>84,517</u>
Net Position at Beginning of Year, As Restated	<u>2,091,459</u>	<u>6,121,922</u>	<u>10,746,221</u>	<u>1,213,331</u>	<u>20,172,933</u>	<u>145,293</u>
Net Position at End of Year	<u>\$2,026,447</u>	<u>\$5,974,765</u>	<u>\$11,543,654</u>	<u>\$1,421,939</u>	<u>\$20,966,805</u>	<u>\$229,810</u>

See accompanying notes to the basic financial statements.

CITY OF ATHENS, OHIO
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2015

	Business-Type Activities				Governmental Activities	
	Parking Garage	Water	Sewer	All Other Enterprise Funds	Totals	Internal Service Funds
Cash Flows from Operating Activities:						
Cash Received from Customers	\$280,814	\$3,336,023	\$4,031,099	\$1,280,404	\$8,928,340	\$3,486,149
Cash from Other Receipts	0	0	2,249	86,237	88,486	0
Cash Payments to Employees	(18,874)	(1,538,753)	(1,447,525)	(62,764)	(3,067,916)	(330,751)
Cash Payments for Contractual Services	(60,905)	(938,492)	(867,897)	(1,095,468)	(2,962,762)	(601,254)
Cash Payments for Insurance Claims	0	0	0	0	0	(3,043,922)
Cash Payments for Supplies and Materials	(19,876)	(782,260)	(598,450)	(10,672)	(1,411,258)	(27,648)
<i>Net Cash from Operating Activities</i>	<u>181,159</u>	<u>76,518</u>	<u>1,119,476</u>	<u>197,737</u>	<u>1,574,890</u>	<u>(517,426)</u>
Cash Flows from Noncapital Financing Activities:						
Other Nonoperating Receipts	50,025	914	700	0	51,639	711,544
Other Nonoperating Payments	(43)	(393)	(453)	(322)	(1,211)	0
<i>Net Cash from Noncapital Financing Activities</i>	<u>49,982</u>	<u>521</u>	<u>247</u>	<u>(322)</u>	<u>50,428</u>	<u>711,544</u>
Cash Flows from Capital and Related Financing Activities:						
Proceeds Received from Notes and Loans	1,935,000	0	6,542,730	0	8,477,730	0
Interest Paid on Notes and Loans	(27,559)	(18,158)	(55,293)	0	(101,010)	0
Principal Paid on Notes and Loans	(25,000)	(59,282)	(848,465)	0	(932,747)	0
Cash Paid to Acquire/Construct Capital Assets	(794,035)	(82,300)	(5,957,330)	0	(6,833,665)	(53,456)
Cash Paid for Bond Issuance Costs	(31,525)	0	0	0	(31,525)	0
<i>Net Cash from Capital and Related Financing Activities</i>	<u>1,056,881</u>	<u>(159,740)</u>	<u>(318,358)</u>	<u>0</u>	<u>578,783</u>	<u>(53,456)</u>
Cash Flows from Investing Activities:						
Interest Received on Investments	3,155	2,437	12,151	5,309	23,052	1,948
<i>Net Cash from Investing Activities</i>	<u>3,155</u>	<u>2,437</u>	<u>12,151</u>	<u>5,309</u>	<u>23,052</u>	<u>1,948</u>
<i>Net Increase in Cash and Cash Equivalents</i>	<u>1,291,177</u>	<u>(80,264)</u>	<u>813,516</u>	<u>202,724</u>	<u>2,227,153</u>	<u>142,610</u>
Cash and Cash Equivalents at Beginning of Year	<u>495,519</u>	<u>1,061,720</u>	<u>2,997,503</u>	<u>1,182,969</u>	<u>5,737,711</u>	<u>391,298</u>
Cash and Cash Equivalents at End of Year	<u>\$1,786,696</u>	<u>\$981,456</u>	<u>\$3,811,019</u>	<u>\$1,385,693</u>	<u>\$7,964,864</u>	<u>\$533,908</u>

See accompanying notes to the basic financial statements

CITY OF ATHENS, OHIO
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2015

	Business-Type Activities				Governmental Activities	
	Parking Garage	Water	Sewer	All Other Enterprise Funds	Totals	Internal Service Funds
Reconciliation of Operating Income to Net Cash from Operating Activities:						
Operating Income (Loss)	(\$55,423)	(\$131,957)	\$850,342	\$203,621	\$866,583	(\$628,975)
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:						
Depreciation Expense	41,170	360,285	370,249	0	771,704	5,346
Changes in Assets and Liabilities:						
(Increase) Decrease in Accounts Receivable	(946)	(66,868)	(12,273)	(6,383)	(86,470)	9
(Increase) Decrease in Material and Supply Inventory	0	(27,333)	(16,373)	0	(43,706)	0
(Increase) Decrease in Prepaid Items	(27)	(651)	(264)	50	(892)	(7,649)
(Increase) Decrease in Deferred Outflows of Resources	0	(47,316)	(48,979)	0	(96,295)	0
Increase (Decrease) in Accounts Payable	611	(51,250)	41,862	(1,126)	(9,903)	4,638
Increase (Decrease) in Contracts Payable	196,345	0	(97,685)	0	98,660	(16,500)
Increase (Decrease) in Accrued Wages Payable	0	9,406	17,959	541	27,906	1,049
Increase (Decrease) in Compensated Absences	0	(3,169)	(21,114)	732	(23,551)	4,676
Increase (Decrease) in Intergovernmental Payable	(571)	1,843	1,090	302	2,664	(4,066)
Increase (Decrease) in Claims Payable	0	0	0	0	0	124,046
Increase (Decrease) in Net Pension Liability	0	18,859	19,497	0	38,356	0
Increase (Decrease) in Deferred Inflows of Resources	0	14,669	15,165	0	29,834	0
<i>Net Cash from Operating Activities</i>	<u>\$181,159</u>	<u>\$76,518</u>	<u>\$1,119,476</u>	<u>\$197,737</u>	<u>\$1,574,890</u>	<u>(\$517,426)</u>

See accompanying notes to the basic financial statements.

CITY OF ATHENS, OHIO
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2015

	<u>Agency</u>
Assets:	
Equity in Pooled Cash & Cash Equivalents	\$1,950
Cash and Cash Equivalents in Segregated Accounts	<u>570,535</u>
<i>Total Assets</i>	<u>572,485</u>
Liabilities:	
Deposits Held and Due to Others	<u>572,485</u>
<i>Total Liabilities</i>	<u><u>\$572,485</u></u>

See accompanying notes to the basic financial statements.

NOTE 1 - DESCRIPTION OF THE ENTITY

The City of Athens, Ohio (the City) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The City was incorporated in 1811 and is a statutory municipal corporation under the laws of the State of Ohio. The City operates under a Council-Mayor form of government and provides various services including police and fire protection, parks and recreation, planning, zoning, street maintenance, and other governmental services. In addition, the City owns and operates a water treatment and distribution system, a wastewater treatment and collection system, and a public parking garage, which are reported as enterprise funds. Refuse collection services are also accounted for as an enterprise operation.

As required by generally accepted accounting principles, the financial statements present the City of Athens (the primary government) and any component units. In determining whether to include a governmental department, agency, commission or organization as a component unit, the City must evaluate each entity as to whether they are legally separate and financially accountable based on criteria set forth by the Governmental Accounting Standards Board (GASB). Legal separateness is evaluated on the basis of (1) its corporate name, (2) the right to sue or be sued and (3) the right to buy, sell, lease and mortgage property. Financial accountability is based on (1) the appointment of the governing authority and (2) the ability to impose will or (3) the providing of specific financial benefit or imposition of a specific financial burden. Another factor to consider in this evaluation is whether an entity is fiscally dependent on the City.

Based on the foregoing criteria, the following governmental entity is not considered legally separate and is financially accountable to the City. Therefore, it is included as part of the reporting entity of the City.

Athens Municipal Court - The City budgets and appropriates for the operation of the Court, establishes the compensation for certain Court employees and is ultimately responsible for any operating deficits sustained by the Court. The operations of the Court are presented as a separate Agency Fund in the City's financial statements.

However, the following organizations are not part of the City of Athens reporting entity and are excluded from the City's combined financial statements.

Athens City School District - The Athens City School District encompasses the City of Athens. The members of the Board of Education of the District are elected by the voters within the District. The Board is a legally separate body politic and corporate, capable of suing, contracting, possessing, acquiring, and disposing of real property. The Board controls its own operations and budget and has no financial accountability to the City.

Athens Public Library - The Library provides library services for the citizens of Athens County. The Library is a legally separate entity with no financial accountability to the City. It has a separately selected governing authority and a separate designation of management. The City has no ability to impose its will upon the Library. Additionally, the Library provides no financial benefit to nor does it impose any financial burden upon the City.

Athens Community Television - The Center is a nonprofit organization that operates a public access channel for the citizens of Athens County and surrounding areas. It is a legally separate entity that appoints its own governing board. Although the City contributes a portion of its cable franchise fee revenue toward the operation of the Center, the City cannot impose its will upon the Center. While this organization is excluded from the reporting entity of the City, the contributions made to the Center are reflected in a separate Special Revenue Fund.

The accounting policies and financial reporting practices of the City conform to generally accepted accounting principles as applicable to governmental units.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

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

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

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.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

General Fund: This fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Street Fund: This fund accounts for that portion of the state gasoline and motor vehicle registration fees as well as income tax revenue designated by voters for maintenance and repair of streets within the City.

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. The City's proprietary funds are classified as either enterprise or internal service. The following are the City's major enterprise funds:

Parking Garage Fund: This fund accounts for the operation of a public parking garage within the City.

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

Sewer Fund: This fund accounts for the provision of sanitary sewer treatment to residential and commercial users located within the City.

The other enterprise funds of the City account for activities for which a fee is charged to external users for goods or services. The internal service funds of the City account for the financing of services provided by one department or agency of the City to other departments or agencies of the City on a cost reimbursement basis.

Fiduciary Funds: Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's fiduciary funds are agency funds - Mansfield House Maintenance which receives donations to handle repairs to the Mansfield House and the Municipal Court which accounts for the activities of the Athens Municipal Court.

Measurement Focus

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

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net position. 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. The statement of cash flows provides information about how the city finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

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

Revenues - Exchange and Nonexchange 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 fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include municipal income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from municipal income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal 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 fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: municipal income taxes, grants, state-levied shared taxes (including gasoline tax), fines and forfeitures, and investment earnings.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Budgetary Accounting and Control:

Under Ohio law, City Council must adopt an appropriations budget by January 1st of a given year, or adopt a temporary appropriation measure with final passage of a permanent budget by April 1st, for all funds except Agency Funds. Budgets are adopted for each organizational unit by fund.

Each City department prepares a budget which is approved by City Council. All modifications made throughout the year to the original department budgets must be requested by the departmental management and approved through legal resolution by City Council, except in the travel transportation, materials and supplies, and contractual services and miscellaneous or other expenditure categories of each department.

Several budget modifications and supplemental appropriations were made during the year and each revised budget amount reported in the budget to actual comparisons includes all modifications and supplemental appropriations that were necessary.

The City maintains budgetary control by Fund and within each fund by Office, Department and Division. Each Office, Department and Division is further divided by transaction class, representing Personal Services, Supplies & Services and Capital Expenditures. Council ordinance does not permit co-mingling or movement of monies among transaction classes without ordinance; and, does not permit expenditures and encumbrances to exceed appropriations for each transaction class. Unencumbered and unexpended appropriations lapse at year-end in all budgeted funds. Prior year encumbrances and corresponding prior year appropriations are carried forward as part of the budgetary authority for next year and are included in the original and revised budget amounts shown in the budget-to-actual comparisons.

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources.

The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported as original budgeted amounts on the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as final budget amounts on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2015.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City's budgetary process accounts for certain transactions on a budgetary basis instead of a GAAP basis. The major differences between the budget basis and the GAAP basis are that revenues are recorded when actually received (budget basis) as opposed to when susceptible to accrual (GAAP basis), and expenditures are recorded when paid (budget basis) as opposed to when incurred (GAAP basis). Additionally, the City reflects outstanding encumbrances at year-end as expenditures on the budgetary basis.

Cash and Investments

Cash and investments of the City's funds, except those held in restricted asset accounts, are pooled and invested in short-term investments in order to provide improved cash management. During 2015, the City's funds were invested in interest bearing demand accounts and certificates of deposit with commercial banks. For purposes of the statement of cash flows, the enterprise funds' portion of cash and cash equivalents is considered a cash equivalent because the City is able to withdraw resources from the enterprise funds without prior notice or penalty.

For purposes of the statement of cash flows and for the presentation on the statement of net position/balance sheet, investments with an original maturity of three months or less and investments of the cash management pool are considered to be cash equivalents.

Following the local ordinance of the City as well as State statutes, the City has specified the funds to receive an allocation of interest earnings. During 2015, the General Fund earned interest revenue of \$9,052, of which \$1,170 was assigned from other funds.

Inventories

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recognized as expenditures in governmental funds when purchased and as expenses in the proprietary funds when used.

Prepaid Items

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

Capital Assets

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

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars. The City’s infrastructure consists of streets, traffic signals, bridges, drainage systems, water and sewer lines, and valves and meters.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. Interest incurred during the construction of capital assets is also capitalized. All reported capital assets are depreciated except for land, streets, 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:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and Improvements	40 - 60 years	40 - 60 years
Machinery and Equipment	5 - 20 years	5 - 20 years
Vehicles	2 - 20 years	3 - 12 years
Infrastructure	20 - 60 years	20 - 50 years

The City has chosen to use the modified approach allowed by GASB Statement No. 34, to report their streets. Therefore depreciation is not calculated for the streets, but they are evaluated each year to determine their values.

Compensated Absences

The City reports compensated absences in accordance with the provisions of GASB No. 16, “*Accounting for Compensated Absences*”.

The City records a liability for sick leave, vacation, and compensatory time when the obligation is attributable to services previously rendered, to rights that vest or accumulate, and where payment of the obligation is probable and can be reasonably determined.

Employees earn vacation time at varying rates depending on the duration of their employment. Employees with a minimum of one (1) year of service become vested in accumulated unpaid vacation time. Vacation leave is to be taken by the employee in the year accrued unless administrative approval has been obtained to carry-over the accumulated time to the following year. Ohio law requires that vacation time not be accumulated for more than three (3) years. Unused vacation time is payable upon termination of employment. It is deemed that each employee will remain with the City for at least one year, therefore, the City accrues a liability for each employee based on their unused vacation time.

Unused sick leave may be accumulated until retirement. Employees with a minimum of ten (10) years of service under Public Employee Retirement System (PERS) and fifteen (15) years under Ohio Police and Fire Pension Fund (OP&F) are entitled to payment for accumulated sick leave credit upon retirement. Payment may be made at twenty-five (25) percent, up to a maximum of thirty (30) days, of accrued sick leave credit. The City uses a termination method to accrue a liability based on average sick leave rates paid to retirees and years worked by current employees.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employees are awarded compensatory time off in lieu of overtime pay when overtime hours are worked, except in certain departments where employees have the option of being compensated for overtime hours worked. Compensatory time off must be used within a specified period of time. Upon termination of employment or retirement, employees may be entitled to payment for unused compensatory time in those departments which provide for payment of overtime hours. The City accrues a liability for each employee with unused compensatory time.

The entire compensated absence liability is reported on the government-wide financial statements. In governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignation or retirement. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported on the fund financial statements. In proprietary funds, the entire amount of compensated absences is reported as a fund liability on the fund financial statements.

Pensions

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

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balance

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. Fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent because they are either not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because either (a) constraints imposed by law through constitutional provisions, charter requirements or enabling legislation; or (b) constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal ordinances or resolutions of the City Council – the City’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action as when imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – amounts constrained by the City’s “intent” to be used for specific purposes, but are neither restricted nor committed. The City Council, City Officials have the authority to assign amount to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned – this is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the City considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Restricted for Other Purposes includes funds which are restricted by grant agreements.

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

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 parking garage fees and charges for services for water, sanitary sewer, and garbage collection services. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund.

Interfund Transactions

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Extraordinary and Special Items

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

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.

NOTE 3 - RECONCILIATION OF BUDGET BASIS TO GAAP BASIS

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The statement of revenues, expenditures and changes in fund balance - budget and actual (budget basis) is presented for the General Fund and the major special revenue fund on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the modified accrual GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (c) Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
- (d) Proceeds from and principal payment on bond and tax anticipation notes are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 3 - RECONCILIATION OF BUDGET BASIS TO GAAP BASIS (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund and major special revenue fund.

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses/Net Change in Fund Balance	
	General	Street
Budget Basis	(\$161,948)	(\$148,143)
<i>Adjustments:</i>		
Revenue Accruals	(141,185)	(15,328)
Expenditure Accruals	28,595	(39,487)
Encumbrances	598,050	193,693
Other Financing Sources	(623,411)	0
<i>Prospective Difference:</i>		
Activity of Funds Reclassified For GAAP Reporting Purposes	0	0
GAAP Basis	(\$299,899)	(\$9,265)

NOTE 4 - NEW GASB PRONOUNCEMENTS

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

	Governmental Activities	Business-Type Activities
Net Position - December 31, 2014	\$81,255,292	\$21,613,951
<i>Adjustments:</i>		
Net Pension Liability	(12,700,041)	(1,659,815)
Deferred Outflows	1,299,091	218,797
Restated Net Position - December 31, 2014	\$69,854,342	\$20,172,933

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 4 - NEW GASB PRONOUNCEMENTS (Continued)

	Water	Sewer
Net Position - December 31, 2014	\$6,830,429	\$11,478,732
<i>Adjustments:</i>		
Net Pension Liability	(816,120)	(843,695)
Deferred Outflows	107,613	111,184
Restated Net Position - December 31, 2014	\$6,121,922	\$10,746,221

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these statements was not available.

NOTE 5 - CASH, DEPOSITS AND INVESTMENTS

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

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

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

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

- (1) United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- (2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- (3) Written repurchase agreements in the securities listed above, provided that the fair 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 fair value daily, and that the term of the agreement must not exceed thirty days;
- (4) Bonds and other obligations of the State of Ohio;

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 5 - CASH, DEPOSITS AND INVESTMENTS (Continued)

- (5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- (6) The State Treasury Assets Reserve of Ohio (STAR Ohio);
- (7) Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of interim monies available for investment at any time; and
- (8) Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

The City may also invest any monies not required to be used for a period of six months or more in the following:

- (1) Bonds of the State of Ohio;
- (2) Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
- (3) Obligations of the City.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements", and GASB Statement No. 40, "Deposit and Investment Risk Disclosure."

Deposits: Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 5 - CASH, DEPOSITS AND INVESTMENTS (Continued)

At December 31, 2015, the carrying amount of all City deposits was \$18,526,513 Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of December 31, 2015, \$17,006,478 of the City's bank balance of \$18,091,332 was exposed to custodial risk as discussed above while \$1,084,854 was covered by Federal Deposit Insurance. The \$17,006,478 exposed to custodial risk was collateralized with securities held by the City or its agency in the City's name.

NOTE 6 - PROPERTY TAXES

Property taxes, include amounts levied against all real and public utility property located in the City. Real property taxes are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35 percent of appraised market value. Real property taxes are collected in and intended to finance the year following the year in which they are levied.

Public utility property taxes are assessed on land and improvements at true value (normally 50 percent of cost).

The assessed value upon which the 2015 taxes were collected was \$350,875,470. The full tax rate for all City operations that was applied to real property for the year ended December 31, 2015 was \$2.60 per \$1,000 of assessed valuation for City residents in Athens Township, and \$2.40 per \$1,000 of assessed valuation for City residents in Canaan Township. Real property owners' tax bills are reduced for inflationary increases in property values and when applicable, are further reduced by homestead and rollback deductions. The amount of these homestead and rollback reductions is reimbursed to the City by the State of Ohio.

Real Property:	
Residential/Agricultural	\$188,609,670
Commercial/Industrial	<u>149,703,910</u>
Total Real Property	338,313,580
Personal Property:	
Public Utilities	<u>12,561,890</u>
Total Assessed Valuation	<u><u>\$350,875,470</u></u>

Real property taxes are payable annually or semi-annually. If paid annually, payment is due May 19; if paid semi-annually, the first payment is due May 19 with the remainder payable by August 25. Under certain circumstances, state statute permits earlier or later payment dates to be established.

Personal property taxes paid by multi-county taxpayers are due October 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due June 23; if paid semi-annually, the first payment is due June 23, with the remainder payable by October 20.

Accrued property taxes receivable represents delinquent taxes outstanding and real and public utility taxes which were measurable as of December 31, 2015. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not intended to finance 2015 operations. The receivable is therefore offset by a credit to deferred inflows of resources.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 7 - INCOME TAX REVENUE

The City levies a tax of 1.65 percent on all salaries, wages, commissions, other compensation and net profits earned within the City, as well as, on incomes of residents earned outside the City. In the latter case, the City allows a credit of 1 percent of the tax paid to another municipality to a maximum of the total amount assessed.

Employers within the City are required to withhold income tax on employee's compensation and remit the tax to the City as follows:

1. In quarterly payments to be made on or before the last day of the month following each calendar quarter of the year, if the amount to be deducted and withheld during the quarter will not exceed \$500.
2. In monthly payments to be made on or before the last day of the month following each month of each year, if the amount to be deducted and withheld during the quarter exceeds \$500 or more.

In 2015, the income tax generated a total of \$11,998,004 in income tax revenue.

NOTE 8 - INTERFUND ACTIVITY

A summary of interfund transfers for 2015 were as follows:

Fund	Transfers In	Transfers Out
General	\$47,980	\$575,127
<i>Nonmajor Governmental Funds:</i>		
Recreation	134,350	0
Community Center	0	134,350
Capital Improvement	575,127	0
FEMA Grant	0	47,980
Total	\$757,457	\$757,457

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers were made out of the Community Center and FEMA Grant Funds (nonmajor governmental funds) to properly identify distribution and use of reviews as stipulated.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 9 - INTERGOVERNMENTAL RECEIVABLE

Receivables at December 31, 2015 consisted of property taxes, income taxes, accounts (billings for user charged services), notes, loans, special assessments, interest and intergovernmental grants. All receivables are considered fully collectible.

A summary of the principal items of intergovernmental receivable follows:

Governmental Activities	
<i>General Fund:</i>	
Local Government Distributions	\$70,133
<i>Street Fund:</i>	
Street Mainenance Distributions	80,309
Nonmajor Special Revenue Funds	23,498
Total Intergovernmental Receivable	\$173,940

NOTE 10 – DEFERRED INFLOWS/DEFERRED OUTFLOWS OF RESOURCES

In addition to assts, the statements of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources of are reported on the government-wide statement of net position and include deferred charges on refunding and pension expense. A deferral for pension results from changes in Net Pension Liability not recognized as a component of current year pension expense. This amount is deferred and amortized over various periods as instructed by the pension plan administrators. Deferred outflows of resources related to pensions are explained further in Note 14.

A summary of deferred outflows of resources reported in the statements of net position follows:

	Governmental Activities	Business-Type Activities	Water	Sewer
<i>Deferred Outflows of Resources:</i>				
Pension Expense	\$1,927,746	\$315,902	\$154,929	\$160,163
Total Deferred Outflows of Resources	\$1,927,746	\$315,902	\$154,929	\$160,163

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 10 – DEFERRED INFLOWS/DEFERRED OUTFLOWS OF RESOURCES (Continued)

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes, unavailable revenues and pension. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2015, but which were levied to finance year 2015 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes, franchise taxes, intergovernmental grants, special assessments, and charges for services. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. Additionally, deferred inflows related to pensions are reported in the government-wide Statement of Net Position. Deferred inflows related to pensions result from changes in Net Pension Liability not recognized as a component of current year pension expense. Deferred inflows of resources related to pension are explained further in Note 14.

A summary of deferred inflows of resources reported in the statements of net position follows:

	Governmental Activities	Business-Type Activities	Water	Sewer
<i>Deferred Inflows of Resources:</i>				
Nonexchange Revenue	\$876,956	\$0	\$0	\$0
Pensions	79,457	29,834	14,669	15,165
Total Deferred Inflows of Resources	\$956,413	\$29,834	\$14,669	\$15,165

On the modified accrual basis of accounting, the City has recorded certain receivables where the related revenue is unavailable. Unavailable revenue has been reported as deferred inflow of resources on the governmental fund Balance Sheet as follows:

Governmental Funds	
	General
Property Taxes	\$941,450
Total Deferred Inflows of Resources	\$941,450

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 11- CAPITAL ASSETS

The following is a summary of changes in the capital assets of the governmental activities during the fiscal year:

	Balance January 1, 2015	Additions/ Transfers	Deletions/ Transfers	Balance December 31, 2015
Governmental Activities:				
<i>Nondepreciable Capital Assets:</i>				
Land	\$3,251,876	\$35,000	\$0	\$3,286,876
Infrastructure	46,533,550	1,088,688	0	47,622,238
Construction in Progress	2,904,553	3,357,700	(1,004,620)	5,257,633
Total Nondepreciable Capital Assets	<u>52,689,979</u>	<u>4,481,388</u>	<u>(1,004,620)</u>	<u>56,166,747</u>
<i>Depreciable Capital Assets:</i>				
Land Improvements	1,050,841	285,325	0	1,336,166
Buildings	14,119,505	794,811	0	14,914,316
Machinery, Equipment and Vehicles	9,466,788	723,204	(308,572)	9,881,420
Infrastructure	17,703,891	0	0	17,703,891
Total Depreciable Capital Assets	42,341,025	1,803,340	(308,572)	43,835,793
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(284,421)	(24,145)	0	(308,566)
Buildings	(6,351,800)	(305,636)	0	(6,657,436)
Machinery, Equipment and Vehicles	(8,033,825)	(460,317)	288,853	(8,205,289)
Infrastructure	(5,048,201)	(183,603)	0	(5,231,804)
Total Accumulated Depreciation	<u>(19,718,247)</u>	<u>(973,701)</u>	<u>288,853</u>	<u>(20,403,095)</u>
Total Depreciable Capital Assets, Net	<u>22,622,778</u>	<u>829,639</u>	<u>(19,719)</u>	<u>23,432,698</u>
Governmental Activities Capital Assets, Net	<u><u>\$75,312,757</u></u>	<u><u>\$5,311,027</u></u>	<u><u>(\$1,024,339)</u></u>	<u><u>\$79,599,445</u></u>

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 11 - CAPITAL ASSETS (Continued)

For governmental activities, depreciation expense was charged to functions as follows:

Governmental Activities	
General Government	\$186,513
<i>Security of Persons and Property:</i>	
Police	49,281
Fire	140,821
Transportation	387,096
Leisure Time Activities	209,990
Governmental Activities Depreciation Expense	\$973,701

The following is a summary of changes in the capital assets of the business-type activities for the fiscal year:

	Balance January 1, 2015	Additions/ Transfers	Deletions/ Transfers	Balance December 31, 2015
<i>Nondepreciable Capital Assets:</i>				
Land	\$463,489	\$0	\$0	\$463,489
Construction in Progress	11,868,989	6,751,365	0	18,620,354
Total Nondepreciable Capital Assets	12,332,478	6,751,365	0	19,083,843
<i>Depreciable Capital Assets:</i>				
Land Improvements	8,555	0	0	8,555
Buildings	11,743,563	0	0	11,743,563
Machinery, Equipment and Vehicles	2,349,080	0	(30,551)	2,318,529
Infrastructure	27,115,701	82,300	0	27,198,001
Total Depreciable Capital Assets	41,216,899	82,300	(30,551)	41,268,648
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(8,555)	0	0	(8,555)
Buildings	(6,346,098)	(197,405)	0	(6,543,503)
Machinery, Equipment and Vehicles	(2,025,583)	(73,281)	23,966	(2,074,898)
Infrastructure	(15,255,427)	(501,018)	0	(15,756,445)
Total Accumulated Depreciation	(23,635,663)	(771,704)	23,966	(24,383,401)
Total Depreciable Capital Assets, Net	17,581,236	(689,404)	(6,585)	16,885,247
Business-Type Activities Capital Assets, Net	\$29,913,714	\$6,061,961	(\$6,585)	\$35,969,090

The business-type activities of the City are the parking garage, water, sewer and garbage operations.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 12 - NOTES PAYABLE

The Ohio Revised Code provides that notes, including renewal notes, issued in anticipation of the issuance of general obligation bonds, may be issued and outstanding from time to time up to a maximum period of twenty (20) years from the date of issuance of the original notes (the maximum maturity for notes anticipating general obligation bonds payable from special assessments is five (5) years). Any period in excess of five (5) years must be deducted from the permitted maximum maturity of bonds anticipated, and portions of the principal amount of notes outstanding for more than five (5) years must be retired in amounts at least equal to, and payable not later than, those principal maturities that would have been required if the bonds had been issued at the expiration of the initial five (5) year period.

Bond anticipation notes may be retired at maturity from the proceeds of the sale of renewal notes or of the bonds anticipated by the notes, or available funds of the City, or a combination of these sources. All notes are backed by the full faith and credit of the City.

The following is a summary of the City's note obligation activity for the year ended December 31, 2015:

Purpose/Description	Maturity Date	Interest Rate	Balance January 1, 2015	Additions	Deletions	Balance December 31, 2015
<u>Governmental Activities:</u>						
<i>Notes Payable:</i>						
Fire Dept. Ladder Truck	2015	0.35%	\$150,000	\$0	\$150,000	\$0
Fire Dept. Pumper Truck	2015	0.30%	573,411	0	573,411	0
HAPCAP Transit Bus	2015	0.30%	100,000	0	100,000	0
Fire Dept. Ladder Truck	2016	0.40%	0	100,000	0	100,000
Fire Dept. Pumper Truck	2016	0.35%	0	523,411	0	523,411
Community Center Energy Notes	2016	0.30%	0	70,000	0	70,000
Governmental Activities Notes Payable			<u>\$823,411</u>	<u>\$693,411</u>	<u>\$823,411</u>	<u>\$693,411</u>
<u>Business-Type Activities:</u>						
<i>Notes Payable:</i>						
WWTP Improvements	2016	0.40%	\$0	\$550,000	\$0	\$550,000
WWTP Improvements	2015	0.30%	650,000	0	650,000	0
Business-Type Activities Notes Payable			<u>\$650,000</u>	<u>\$550,000</u>	<u>\$650,000</u>	<u>\$550,000</u>

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 13 - LONG-TERM DEBT AND OTHER OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2015 was as follows:

Purpose/Description	Maturity Date	Interest Rate	Restated Balance January 1, 2015	Additions	Deletions	Balance December 31, 2015	Amounts Due Within One Year
<u>Governmental Activities:</u>							
<i>General Obligation Bonds Payable:</i>							
Community Center Refunding Bonds Original Issue Date - 2010 Original Issue Amount - \$2,730,000	2016	2.00%	\$905,000	\$0	\$465,000	\$440,000	\$440,000
Premium on Bonds Issued			21,949	0	10,974	10,975	0
University Estates St. Imp Bonds	2024	2.30%	430,130	0	38,747	391,383	39,638
<i>Other Long-Term Obligations:</i>							
Community Center Energy Notes		0.35%	145,000	0	145,000	0	0
Compensated Absences			1,139,661	579,293	516,822	1,202,132	777,542
<i>Net Pension Liability:</i>							
OPERS			4,420,678	102,155	0	4,522,833	0
OP&F			8,279,363	527,165	0	8,806,528	0
Total Net Pension Liability			12,700,041	629,320	0	13,329,361	0
Governmental Activities Long-Term Obligations			\$15,341,781	\$1,208,613	\$1,176,543	\$15,373,851	\$1,257,180

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 13 - LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

Purpose/Description	Maturity Date	Interest Rate	Restated Balance January 1, 2015	Additions	Deletions	Balance December 31, 2015	Amounts Due Within One Year
<i>Business-Type Activities:</i>							
<i>OWDA Loans Payable:</i>							
Loan No. 2672 / 2673 Original Issue Dates - 1995 & 1996 Original Issue Amount - \$908,787	2016	4.16%	\$127,673	\$0	\$62,525	\$65,148	\$65,148
Loan No. 3873 Original Issue Date - 2004 Original Issue Amount - \$2,632,603	2023	3.53%	1,413,016	0	135,940	1,277,076	140,781
Loan No. 5259 Original Issue Date - 2009 Original Issue Amount - \$480,000	2030	0.00%	384,000	0	24,000	360,000	24,000
Loan No. 6270 Original Issue Date - 2012 Original Issue Amount - \$582,375	2033	2.63%	745,373	0	35,282	710,091	0
Loan No. 6426 Original Issue Date - 2013 Original Issue Amount - \$2,531,610	2035	1.82%	10,761,947	5,992,730	0	16,754,677	787,534
<i>Other Long-Term Obligations:</i>							
Parking Garage Renovation Bonds	2029	2.32%	0	1,935,000	25,000	1,910,000	115,000
Compensated Absences			297,206	212,155	235,705	273,656	182,378
Net Pension Liability - OPERS:							
Water			816,120	18,859	0	834,979	0
Sewer			843,695	19,497	0	863,192	0
Total Net Pension Liability - OPERS			1,659,815	38,356	0	1,698,171	0
Business-Type Activities Long-Term Obligations			\$15,389,030	\$8,178,241	\$518,452	\$23,048,819	\$1,314,841

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 13 - LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

The City's long-term debt requirements, excluding compensated absences as of December 31, 2015, are as follows:

Year Ending December 31	Governmental Activities		Business-Type Activities*	
	Payments		Payments	
	Principal	Interest	Principal	Interest
2016	\$479,638	\$20,002	\$344,929	\$83,049
2017	40,549	8,090	289,794	74,649
2018	41,482	7,158	299,986	67,453
2019	42,436	6,203	305,363	59,983
2020	43,412	5,227	315,931	52,351
2021-2025	183,866	10,693	1,326,221	147,012
2026-2030	0	0	730,000	35,960
Total	<u>\$831,383</u>	<u>\$57,373</u>	<u>\$3,612,224</u>	<u>\$520,457</u>

* Business-Type Activities does not include OWDA loan 6270 or 6426 due to loans not being completed at December 31, 2015.

Long-Term Bonds and Loans: All long-term debt issued for governmental purposes of the City (including special assessment debt with governmental commitment) is retired through the Debt Service Fund. OWDA enterprise loans are retired through the respective Enterprise Funds. OWDA loans are secured by revenues generated from enterprise operations. Special assessment bonds are secured by an unvoted property tax levy (special assessment), which constitutes a lien on assessed properties. In the event of default by the assessed property owners, the City would be obligated to pay the special assessment debt. These bonds are also backed by the full faith and credit of the City as additional security.

General obligations bonds are secured by 0.1 percent of the City's income tax. These bonds are also backed by the full faith and credit of the City.

NOTE 14 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

NOTE 14 - DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$822,362 for 2015.

NOTE 14 - DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

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

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

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

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

	Police	Firefighters
2015 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS (Continued)

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

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$708,989 for 2015. Of this amount \$40,082 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS	OP&F	Total
Proportionate Share of the Net Pension Liability	\$6,221,004	\$8,806,528	\$15,027,532
Proportion of the Net Pension Liability	0.051579%	0.1699965%	
Pension Expense	\$722,315	\$861,053	\$1,583,368

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

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$331,934	\$379,553	\$711,487
City contributions subsequent to the measurement date	822,362	708,989	1,531,351
Total Deferred Outflows of Resources	\$1,154,296	\$1,088,542	\$2,242,838
Deferred Inflows of Resources			
Differences between expected and actual experience	\$109,291	\$0	\$109,291

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS (Continued)

\$1,531,351 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS	OP&F	Total
2016	(\$32,556)	(\$94,888)	(\$127,444)
2017	(32,556)	(94,888)	(127,444)
2018	(74,547)	(94,888)	(169,435)
2019	(82,984)	(94,889)	(177,873)
Total	(\$222,643)	(\$379,553)	(\$602,196)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

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

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

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

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS (Continued)

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
Total	100.00 %	5.28 %

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

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$11,444,864	\$6,221,004	\$1,821,254

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

Valuation Date	January 1, 2014
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2014 are summarized below:

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 14 - DEFINED BENEFIT PENSION PLANS (Continued)

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

* levered 2x

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

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

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$12,180,760	\$8,806,528	\$5,949,579

NOTE 15 –POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

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

OPERS maintains two cost-sharing multiple-employer defined benefit postemployment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying members benefit recipients of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2014 CAFR for details.

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 OPERS Board in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

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

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

OPERS' Post-employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code section 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to health care remains at 2.0% for both plans, as recommended by OPERS' actuary. The OPERS Board of Trustees 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 Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5%.

NOTE 15 –POST-EMPLOYMENT BENEFITS (Continued)

The City's contractually required postemployment health care contributions to OPERS were \$137,060 for 2015. Of this amount, \$12,834 is reported as an intergovernmental payable.

Ohio Police and Fire Pension Fund

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

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

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

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 employers, 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.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 0.5 percent of covered payroll from January 1, 2015 thru December 31, 2015. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$8,840 and \$7,938 for the year ended December 31, 2015, and \$9,134 and \$7,795 for the year ended December 31, 2014, \$65,144 and \$55,908 for the year ended December 31, 2013, respectively. 94.14 percent and 94.53 percent respectively, has been contributed for 2015, while 100 percent has been contributed for 2014 and 2013.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 16 - EMPLOYEE BENEFITS

Compensated Absences

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 16, the City accrues a liability for sick leave and vacation when the obligation is attributable to services previously rendered, to rights that vest or accumulate, and where payment of the obligation is probable and can be reasonably determined.

Sick leave accumulates at the rate of .0575 hours of sick leave for each hour of work completed with a maximum of 80 hours per pay period. Only employees who have ten years of service and have reached the age of 55 are eligible to receive payment for unused sick leave upon retirement. Eligible employees are compensated at a rate of one hour for each four hours of accumulated and unused sick leave, to a maximum of 240 hours. Individuals leaving the employment of the City prior to retirement or at retirement with less than ten years of service lose their accumulated sick leave. A liability has been recognized in the accompanying financial statements for a portion of the sick leave hours of those employees who have ten years of service and are age 55 or older, or have thirty years with local government employment as well as other employees who are expected to become eligible in the future to receive such payments.

A liability for accrued vacation has been recognized based on the amount of unused vacation hours for each employee. Vacation is accumulated based upon length of service as follows (for full-time non-union employees only):

Employee Service	Vacation Credit
After 1 year	2 weeks
After 8 years	3 weeks
After 15 years	4 weeks
After 25 years	5 weeks

Vacation leave upon separation from the City Service an employee is paid, at their current rate, for up to three years of accrued unused vacation leave.

NOTE 17 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries and natural disasters. The City has addressed these various types of risk by participating in a risk-sharing pool and by purchasing comprehensive insurance through a commercial carrier.

General liability insurance is maintained in the amount of \$5,000,000 in the aggregate, which includes \$5,000,000 law enforcement professional liability, \$5,000,000 for public official errors and omissions liability, \$5,000,000 for automobile liability, and \$40,000 for underinsured motorist liability.

In addition, the City maintains replacement cost insurance on buildings and contents in the amount of \$124,977,705. Other property insurance includes the following: \$931,175 for contractor's equipment. Supplemental boiler and machinery coverage is carried in the amount of \$150,000 with business interruption and extra expense/actual loss provisions.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 17 - RISK MANAGEMENT - (Continued)

Insurance deductibles on any of the above coverage's do not exceed \$15,000. The City maintains comprehensive insurance coverage for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90 percent coinsured. Workers' compensation benefits are provided through the State Bureau of Workers' Compensation. The City pays all public officials' bonds by statute.

The City has not incurred any significant reductions in insurance coverage from coverage in the prior year by major category of risk. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

The City participates in a medical self-insurance plan for employees who cover medical claims and prescription drugs. The medical portion is a limited risk health plan with a third party administrator, UMR, Inc. that is part of the United Healthcare Network. The prescription drug coverage is administered by OPTUM RX, with the employee paying a co-pay amount, then OPTUM RX paying the balance and billing the City. All claims are paid by the third party administrator under policies established by the City. The City pays an administrative fee to Harrington Benefit to service the claims. All departmental funds contribute to the Medical Internal Service Fund based on fees legislatively set by Council to insure historical and anticipated claims coverage in relation to the number of employees paid from each departmental fund. The medical service fund is presented in the financial statements and reflects all fees paid into the fund and all claims and administrative costs paid out of the fund. The City also carries a specific excess coverage (stop-loss) policy for medical claims in excess of \$110,000 per person and \$3,044,353 in the aggregate. The specific and aggregate excess loss insurance is carried with United Health Care through the third party administrator.

The City maintains a liability for claims in the Medical Internal Service Fund that is based on actuarial forecasts developed by the third party administrator.

Changes in the fund's claims liability in 2015 and 2014 were as follows:

	Beginning Year Balance	Current Year Claims	Claim Payments	Ending Year Balance
2014	\$173,069	\$2,215,501	\$2,198,597	\$189,973
2015	189,973	3,167,968	3,043,922	314,019

The City carries a separate coverage for life insurance with a private commercial carrier, Great West Life Assurance Company, for each employee. The amounts of coverage are \$25,000 for life insurance and \$25,000 for AD&D insurance for all employees.

NOTE 18- LANDFILL CLOSURE AND POST CLOSURE CARE COSTS

The City owns one landfill which was closed prior to 1975. State and federal laws and regulations require that certain maintenance and monitoring functions at landfill sites be performed for 20 to 30 years. In 1995, the City was required to begin maintenance and monitoring functions at the landfill site for 20 years. While there were some preliminary planning costs in 1995, the City installed its monitoring system in 1996 and 1997, but began monitoring in 1996. The City is required to obtain quarterly monitoring samples for the first five years, and semi-annual monitoring samples for the next 15 years. The actual cost of post closure care may be higher depending upon results from surveying and required well testing, changes in technology, or changes in landfill laws and regulations. During 2013, the City extinguished the liability and will expense any future costs as maintenance.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 19 – FUND CASH BALANCES

As of December 31, 2015 fund balances are composed of the following:

	<u>General</u>	<u>Street</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Nonspendable:</i>				
Prepaid Items	\$63,964	\$4,798	\$19,150	\$87,912
Materials & Supplies	25,517	125,541	0	151,058
Unclaimed Monies	4,357	0	0	4,357
Loans Receivable	0	0	143,636	143,636
Total Nonspendable	<u>93,838</u>	<u>130,339</u>	<u>162,786</u>	<u>386,963</u>
<i>Restricted:</i>				
Transportation	0	687,229	260,451	947,680
Parks & Recreation	0	0	1,640,665	1,640,665
Capital Projects	0	0	1,995,095	1,995,095
Tourism	0	0	68,858	68,858
Cable Access	0	0	93,251	93,251
Court	0	0	716,532	716,532
Community and Econ. Dev.	0	0	398,681	398,681
Police	0	0	655,153	655,153
Expendable Trust	0	0	1,099	1,099
Total Restricted	<u>0</u>	<u>687,229</u>	<u>5,829,785</u>	<u>6,517,014</u>
<i>Assigned:</i>				
Administration	1,140,667	0	0	1,140,667
Police	534,396	0	0	534,396
Fire	385,814	0	0	385,814
Community and Econ. Dev.	52,073	0	0	52,073
Transportation	60,664	0	0	60,664
Total Assigned	<u>2,173,614</u>	<u>0</u>	<u>0</u>	<u>2,173,614</u>
<i>Unassigned</i>	<u>(86,662)</u>	<u>0</u>	<u>0</u>	<u>(86,662)</u>
Total Fund Balances	<u><u>\$2,180,790</u></u>	<u><u>\$817,568</u></u>	<u><u>\$5,992,571</u></u>	<u><u>\$8,990,929</u></u>

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 20-ENCUMBRANCE COMMITMENTS

At December 31, 2015, the City had encumbrance commitments in the Governmental Funds as follows:

<u>Major Funds</u>	
General	\$598,050
Street	193,693
<u>Nonmajor Funds</u>	
Cable Access	2,948
Transportation Assistance	129,901
Permissive Wheel Tax	3,805
Judges Court Computer	613
Clerk Court Computer	10,634
Underage Drinkers	1,343
Community Correction Grant	1,390
DUI Court Grant	1,597
CDBG	19,945
Athens City Enhancement	35,447
Indigent Driver Alcohol Treatment	30,000
Recreation	105,020
Community Center	114,548
Street Rehabilitation	368,184
Capital Improvements	193,621
Armory/Hudson Street Buildings	21,326
Law Admin Building Improvement	<u>1,500</u>
Total Nonmajor Funds	<u>1,041,822</u>
Total Encumbrances	<u><u>\$1,833,565</u></u>

NOTE 21 - CONTINGENCIES

The City is a defendant in several claims and legal proceedings which may be classified as routine litigation in which minimal damages are being sought. The City believes that the ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

In addition, the City participates in several federal and state assisted grants and programs that are subject to financial and compliance audits by grantor agencies or their representatives. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. The City believes that disallowed claims, if any, will not have a material adverse effect on the City's financial condition.

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

	2014	2013
City's Proportion of the Net Pension Liability	0.05157900%	0.05157900%
City's Proportionate Share of the Net Pension Liability	\$6,221,004	\$6,080,492
City Covered-Employee Payroll	\$6,703,729	\$6,665,871
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	92.80%	91.22%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%

(1) Information prior to 2013 is not available.

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

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

	2015	2014
<i><u>OP&F - Police</u></i>		
City's Proportion of the Net Pension Liability	0.08318220%	0.08318220%
City's Proportionate Share of the Net Pension Liability	\$4,309,185	\$4,051,234
City Covered-Employee Payroll	\$1,767,995	\$1,826,733
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	243.73%	221.77%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.20%	73.00%
<i><u>OP&F - Fire</u></i>		
City's Proportion of the Net Pension Liability	0.08681430%	0.08681430%
City's Proportionate Share of the Net Pension Liability	\$4,497,343	\$4,228,129
City Covered-Employee Payroll	\$1,587,533	\$1,558,988
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	283.29%	271.21%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.20%	73.00%

(1) Information prior to 2013 is not available.

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

City of Athens, Ohio
Required Supplementary Information
Schedule of County Contributions
Ohio Public Employees Retirement System - Traditional Plan
Last Ten Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$959,422	\$938,522	\$933,222	\$945,918
Contributions in Relation to the Contractually Required Contribution	<u>(959,422)</u>	<u>(938,522)</u>	<u>(933,222)</u>	<u>(945,918)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
County Covered-Employee Payroll	\$6,853,014	\$6,703,729	\$7,178,631	\$7,276,292
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$905,393	\$895,579	\$878,126	\$799,890	\$856,481	\$794,739
<u>(905,393)</u>	<u>(895,579)</u>	<u>(878,126)</u>	<u>(799,890)</u>	<u>(856,481)</u>	<u>(794,739)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$6,964,562	\$6,889,069	\$6,754,815	\$6,153,000	\$6,665,222	\$6,257,787
13.00%	13.00%	13.00%	13.00%	12.85%	12.70%

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i><u>OP&F - Police</u></i>				
Contractually Required Contribution	\$335,919	\$347,079	\$299,627	\$213,019
Contributions in Relation to the Contractually Required Contribution	<u>(335,919)</u>	<u>(347,079)</u>	<u>(299,627)</u>	<u>(213,019)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
County Covered-Employee Payroll	\$1,767,995	\$1,826,733	\$1,799,564	\$1,670,733
Contributions as a Percentage of Covered-Employee Payroll	19.00%	19.00%	16.65%	12.75%
<i><u>OP&F - Fire</u></i>				
Contractually Required Contribution	\$373,070	\$366,362	\$326,647	\$260,422
Contributions in Relation to the Contractually Required Contribution	<u>(373,070)</u>	<u>(366,362)</u>	<u>(326,647)</u>	<u>(260,422)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
County Covered-Employee Payroll	\$1,587,533	\$1,558,988	\$1,544,429	\$1,509,692
Contributions as a Percentage of Covered-Employee Payroll	23.50%	23.50%	21.15%	17.25%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$232,572	\$246,668	\$232,121	\$222,680	\$185,212	\$168,838
<u>(232,572)</u>	<u>(246,668)</u>	<u>(232,121)</u>	<u>(222,680)</u>	<u>(185,212)</u>	<u>(168,838)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,824,092	\$1,934,651	\$1,820,554	\$1,746,510	\$1,452,646	\$1,436,918
12.75%	12.75%	12.75%	12.75%	12.75%	11.75%
\$262,833	\$263,492	\$234,768	\$248,362	\$234,725	\$223,482
<u>(262,833)</u>	<u>(263,492)</u>	<u>(234,768)</u>	<u>(248,362)</u>	<u>(234,725)</u>	<u>(223,482)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,523,667	\$1,527,489	\$1,360,975	\$1,439,779	\$1,360,725	\$1,375,271
17.25%	17.25%	17.25%	17.25%	17.25%	16.25%

CITY OF ATHENS, OHIO
Required Supplementary Information
Modified Approach for Infrastructure Assets
 December 31, 2015

		Value of Streets									
		2015		2014		2013		2012		2011	
	Rating	Value	%	Value	%	Value	%	Value	%	Value	%
Acceptable	9 - 10	\$12,630,946	26.52%	\$12,649,176	27.18%	\$15,422,359	33.88%	\$10,631,676	24.77%	\$8,376,731	19.84%
Moderately Deficient	7 - 8	11,846,307	24.88%	11,884,948	25.54%	13,032,822	28.63%	18,122,917	42.22%	17,918,305	42.44%
Marginally Deficient	5 - 6	16,694,172	35.06%	16,574,495	35.62%	13,618,282	29.92%	10,720,929	24.98%	11,721,631	27.77%
Substantially Deficient	3 - 4	6,450,813	13.55%	5,424,930	11.66%	3,442,806	7.56%	3,359,162	7.83%	4,001,423	9.48%
Severely Deficient	1 - 2	0	0.00%	0	0.00%	0	0.00%	91,605	0.21%	197,949	0.47%
<i>Total</i>		<u>\$47,622,238</u>	<u>100.00%</u>	<u>\$46,533,549</u>	<u>100.00%</u>	<u>\$45,516,269</u>	<u>100.00%</u>	<u>\$42,926,289</u>	<u>100.00%</u>	<u>\$42,216,039</u>	<u>100.00%</u>

The condition of the City's streets is determined using its Pavement Condition Rating Program. (PCRP). The street condition rating, which is a weighted average of an assessment of the ability of individual components to function structurally, uses a numerical condition scale ranging from 1 (Severely Deficient) to 10 (new). It is the City's policy to keep the value of streets with a condition rating of 1.0 to 2.0 below 5 percent. All streets are inspected every year. The City updated their policy during 2011, to better relate to the City's current ability to perform maintenance and construction work on streets considering the present constraints on the City's financial and work force resources, and the improvement upon the street rating program. The previous years' amounts have been adjusted to the current policy to provide a better comparison in the above table.

Comparison of Budgeted Expenditures vs. Actual Expenditures

Year	Budgeted Expenditure	Actual Expenditure	Difference
2015	\$2,713,705	\$2,602,195	\$111,510
2014	3,591,988	3,369,152	222,836
2013	3,448,706	3,091,994	356,712
2012	3,136,408	2,527,323	609,085
2011	2,831,367	2,357,667	473,700

*CITY OF ATHENS
ATHENS COUNTY*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Federal Grantor/ Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Number	Disbursements
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed through the Ohio Development Services Agency</i>			
Community Development Block Grant Program	14.228	A-F-14-2AE-1	\$17,400
Community Development Block Grant Program	14.228	A-C-13-2AE-1	69,040
			<u>86,440</u>
Home Investment Partnership Program	14.239	A-C-13-2AE-2	211,700
Total United States Department of Housing and Urban Development			298,140
UNITED STATES DEPARTMENT OF JUSTICE			
<i>Passed through the Ohio Department of Public Safety</i>			
Violence Against Women Formula Grants	16.588	2014-WF-VA2-8414	49,728
Violence Against Women Formula Grants	16.588	2012-WF-VA2-8414A	10,270
			<u>59,998</u>
Total United States Department of Justice			59,998
UNITED STATES DEPARTMENT OF TRANSPORTATION			
<i>Passed through the Ohio Department of Transportation</i>			
Federal Transit Capital Investment Grants	20.500	SUA-0005-072-121	43,533
Highway Planning and Construction	20.205	Federal Project PID # 93654	1,893,102
Total United States Department of Transportation			1,936,635
UNITED STATES DEPARTMENT OF HOMELAND SECURITY			
<i>Passed through the Ohio Department of Public Safety - Emergency Management Agency</i>			
Assistance to Firefighters Grant	97.044	EMW-2010-FO-01607	573
Assistance to Firefighters Grant	97.044	EMW-2011-FO-01075	47,407
			<u>47,980</u>
Total United States Department of Homeland Security			47,980
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$2,342,753</u>

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

**CITY OF ATHENS
ATHENS COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City under programs of the federal government for the year ended December 31, 2015. 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 assets, or cash flows of the City.

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE E – 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.



Dave Yost • Auditor of State

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

City of Athens
Athens County
8 East Washington Street
Athens, Ohio 45701

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Athens, Athens County, Ohio (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 13, 2016, wherein we noted the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

September 13, 2016



Dave Yost • Auditor of State

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 Athens
Athens County
8 East Washington Street
Athens, Ohio 45701

To the City Council:

Report on Compliance for the Major Federal Program

We have audited the City of Athens', Athens County, Ohio (the City), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the City's major federal program for the year ended December 31, 2015. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the City's major federal program.

Management's Responsibility

The City's management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the City's compliance for the City's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in 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). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the City's major program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2015.

Report on Internal Control over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's 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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *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 federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement 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 first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

September 13, 2016

CITY OF ATHENS
ATHENS COUNTY

SCHEDULE OF FINDINGS
2 CFR PART 200.515
DECEMBER 31, 2015

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR Part 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Program: <ul style="list-style-type: none"> • Highway Planning and Construction (Federal-Aid Highway Program) – CFDA #20.205 	
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

CITY OF ATHENS

ATHENS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 22, 2016