



Dave Yost • Auditor of State



**CITY OF COSHOCTON  
COSHOCTON COUNTY  
DECEMBER 31, 2016**

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COSHOCTON COUNTY  
DECEMBER 31, 2016

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Coshocton, Coshocton County, Ohio (the City), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Coshocton, Coshocton County, Ohio, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General, Fire, Street, and Safety, Security & Law Enforcement Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2017, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

November 1, 2017

## CITY OF COSHOCTON, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

The management's discussion and analysis of the City of Coshocton's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2016. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

#### Financial Highlights

Key financial highlights for 2016 are as follows:

- The total net position of the City increased \$1,350,430 from the 2015 net position. Net position of governmental activities increased \$1,178,115 or 15.45% over 2015 and net position of business-type activities increased \$172,315 or 1.70% over the 2015 balance.
- General revenues accounted for \$7,969,579 or 74.14% of total governmental activities revenue. Program specific revenues accounted for \$2,779,586 or 25.86% of total governmental activities revenue.
- The City had \$9,567,444 in expenses related to governmental activities; \$2,779,586 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$6,787,858 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$7,969,579. General revenues were adequate to cover expenses for 2016.
- The general fund had revenues of \$3,988,913 in 2016 and expenditures of \$3,193,142 in 2016. The general fund's fund balance increased \$795,771 from a balance of \$439,582 to a balance of \$1,235,353.
- The fire fund had revenues of \$1,259,040 in 2016 and total expenditures of \$1,177,855 in 2016. The net increase in fund balance for the fire fund was \$81,185.
- The street fund had revenues of \$1,591,443 in 2016 with total expenditures of \$1,620,734 in 2016. The net decrease in fund balance for the street fund was \$29,291.
- The safety, security and law enforcement fund had revenues of \$1,552,922 in 2016 with total expenditures of \$1,374,403 in 2016. The net increase in fund balance for the safety, security and law enforcement fund was \$178,519.
- Net position for the business-type activities, which are made up of the water, sewer, and solid waste enterprise funds, increased in 2016 by \$172,315 over the 2015 balance.
- The water fund, a major enterprise fund, had operating revenues of \$3,088,350, operating and nonoperating expenses of \$2,874,720, transfers out of \$80,000 and capital contributions of \$23,564 in 2016. The net position of the water fund increased \$157,194 or 2.74% from the 2015 net position balance.
- The sewer fund, a major enterprise fund, had operating revenues of \$2,062,034 and operating, nonoperating expenses of \$2,156,145 and transfers in of \$80,000 in 2016. The net position of the sewer fund decreased \$14,111 or 0.37% from the 2015 net position balance.
- The solid waste fund, a nonmajor enterprise fund, had operating revenues of \$824,539 in 2016 and operating expenses of \$695,080 in 2016. The net position of the solid waste fund increased \$129,459 or 24.27% from the 2015 net position balance.

## CITY OF COSHOCTON, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

- In the general fund, the actual revenues came in \$73,833 higher than they were in the final budget and actual expenditures were \$188,944 less than the amount in the final budget. Budgeted revenues increased \$360,149 from the original to the final budget due primarily to an increase in projected income taxes. Budgeted expenditures increased \$225,456 from the original to the final budget due primarily to an increase in the estimated cost of general government.

#### **Using this Annual Financial Report**

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

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

#### **Reporting the City as a Whole**

##### *Statement of Net Position and the Statement of Activities*

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

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



## CITY OF COSHOCTON, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

#### **Reporting the City's Most Significant Funds**

##### ***Fund Financial Statements***

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

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

##### ***Governmental Funds***

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

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, the fire fund, the street fund and the safety, security and law enforcement fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 24-34 of this report.

##### ***Proprietary Funds***

The City maintains two types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and solid waste management functions. The City's water and sewer enterprise funds are considered major funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for self-insurance. The basic proprietary fund financial statements can be found on pages 35-37 of this report.

##### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. A private-purpose trust and agency funds are the City's fiduciary fund types. The basic fiduciary fund financial statements can be found on pages 38-39 of this report.

**CITY OF COSHOCTON, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 41-83 of this report.

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 86-92 of this report.

**Government-Wide Financial Analysis**

The statement of net position serves as a useful indicator of a government's financial position. The table below provides a summary of the City's net position for 2016 and 2015.

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b><u>Assets</u></b>						
Current assets	\$ 7,833,181	\$ 6,367,084	\$ 6,359,934	\$ 5,320,190	\$ 14,193,115	\$ 11,687,274
Capital assets, net	7,792,017	7,677,090	19,114,615	20,312,291	26,906,632	27,989,381
Total assets	<u>15,625,198</u>	<u>14,044,174</u>	<u>25,474,549</u>	<u>25,632,481</u>	<u>41,099,747</u>	<u>39,676,655</u>
<b><u>Deferred outflows of resources</u></b>						
Pension	1,934,500	640,638	551,376	186,799	2,485,876	827,437
<b><u>Liabilities</u></b>						
Current liabilities	495,397	467,274	451,359	252,737	946,756	720,011
Long-term liabilities:						
Due within one year	194,559	171,357	2,541,649	2,408,515	2,736,208	2,579,872
Net pension liability	6,160,802	4,560,414	1,370,686	990,511	7,531,488	5,550,925
Other amounts	876,115	940,508	11,337,478	12,024,162	12,213,593	12,964,670
Total liabilities	<u>7,726,873</u>	<u>6,139,553</u>	<u>15,701,172</u>	<u>15,675,925</u>	<u>23,428,045</u>	<u>21,815,478</u>
<b><u>Deferred inflows of resources</u></b>						
Property taxes	834,611	843,422	-	-	834,611	843,422
Pension	192,851	74,589	26,484	17,401	219,335	91,990
Total deferred inflows of resources	<u>1,027,462</u>	<u>918,011</u>	<u>26,484</u>	<u>17,401</u>	<u>1,053,946</u>	<u>935,412</u>
<b><u>Net Position</u></b>						
Net investment in capital assets	7,424,139	7,263,991	5,548,476	6,182,921	12,972,615	13,446,912
Restricted	2,736,307	2,225,203	-	-	2,736,307	2,225,203
Unrestricted (deficit)	<u>(1,355,083)</u>	<u>(1,861,946)</u>	<u>4,749,793</u>	<u>3,943,033</u>	<u>3,394,710</u>	<u>2,081,087</u>
Total net position	<u>\$ 8,805,363</u>	<u>\$ 7,627,248</u>	<u>\$ 10,298,269</u>	<u>\$ 10,125,954</u>	<u>\$ 19,103,632</u>	<u>\$ 17,753,202</u>

## CITY OF COSHOCTON, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

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

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

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

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

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

**CITY OF COSHOCTON, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2016, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$19,103,632. At year-end, net position was \$8,805,363 and \$10,298,269, for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 65.47% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Net investments in capital assets at December 31, 2016, were \$7,424,139 and \$5,548,476 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$2,736,307, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position is a deficit of \$1,355,083.

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**CITY OF COSHOCTON, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

The table below shows the changes in net position for 2016 and 2015.

	<b>Change in Net Position</b>					
	Governmental	Business-type	Governmental	Business-type	2016	2015
	Activities	Activities	Activities	Activities	Total	Total
	<u>2016</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,400,671	\$ 5,953,586	\$ 1,295,554	\$ 6,127,304	\$ 7,354,257	\$ 7,422,858
Operating grants and contributions	614,095	-	913,280	-	614,095	913,280
Capital grants and contributions	<u>764,820</u>	<u>19,958</u>	<u>1,608,570</u>	<u>2,630,621</u>	<u>784,778</u>	<u>4,239,191</u>
Total program revenues	<u>2,779,586</u>	<u>5,973,544</u>	<u>3,817,404</u>	<u>8,757,925</u>	<u>8,753,130</u>	<u>12,575,329</u>
General revenues:						
Property taxes	805,564	-	860,524	-	805,564	860,524
Income taxes	6,438,822	-	5,480,485	-	6,438,822	5,480,485
Lodging tax	88,951	-	91,536	-	88,951	91,536
JEDD revenue	105,766	-	87,404	-	105,766	87,404
Unrestricted grants and entitlements	447,858	-	539,558	-	447,858	539,558
Investment earnings	6,545	-	2,936	-	6,545	2,936
Miscellaneous	<u>76,073</u>	<u>21,337</u>	<u>256,660</u>	<u>104,350</u>	<u>97,410</u>	<u>361,010</u>
Total general revenues	<u>7,969,579</u>	<u>21,337</u>	<u>7,319,103</u>	<u>104,350</u>	<u>7,990,916</u>	<u>7,423,453</u>
Total revenues	<u>10,749,165</u>	<u>5,994,881</u>	<u>11,136,507</u>	<u>8,862,275</u>	<u>16,744,046</u>	<u>19,998,782</u>
<b>Expenses:</b>						
General government	2,070,426	-	1,644,972	-	2,070,426	1,644,972
Security of persons and property	3,816,054	-	3,356,674	-	3,816,054	3,356,674
Public health and welfare	1,406,184	-	1,206,829	-	1,406,184	1,206,829
Transportation	2,002,398	-	2,060,052	-	2,002,398	2,060,052
Community environment	11,041	-	235,720	-	11,041	235,720
Leisure time activity	227,463	-	207,048	-	227,463	207,048
Urban redevelopment and housing	23,090	-	10,449	-	23,090	10,449
Other	4,358	-	1,280	-	4,358	1,280
Interest and fiscal charges	6,430	-	6,509	-	6,430	6,509
Water	-	2,942,353	-	3,823,437	2,942,353	3,823,437
Sewer	-	2,188,739	-	1,543,960	2,188,739	1,543,960
Solid waste	-	695,080	-	781,946	695,080	781,946
Total expenses	<u>9,567,444</u>	<u>5,826,172</u>	<u>8,729,533</u>	<u>6,149,343</u>	<u>15,393,616</u>	<u>14,878,876</u>
Transfers	<u>(3,606)</u>	<u>3,606</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	1,178,115	172,315	2,406,974	2,712,932	1,350,430	5,119,906
Net position at beginning of year	<u>7,627,248</u>	<u>10,125,954</u>	<u>5,220,274</u>	<u>7,413,022</u>	<u>17,753,202</u>	<u>12,633,296</u>
Net position at end of year	<u>\$ 8,805,363</u>	<u>\$ 10,298,269</u>	<u>\$ 7,627,248</u>	<u>\$ 10,125,954</u>	<u>\$ 19,103,632</u>	<u>\$ 17,753,202</u>

**CITY OF COSHOCTON, OHIO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Governmental Activities**

Governmental activities net position increased \$1,178,115 in 2016. This increase is primarily due to an increase in charges for services and income tax revenues.

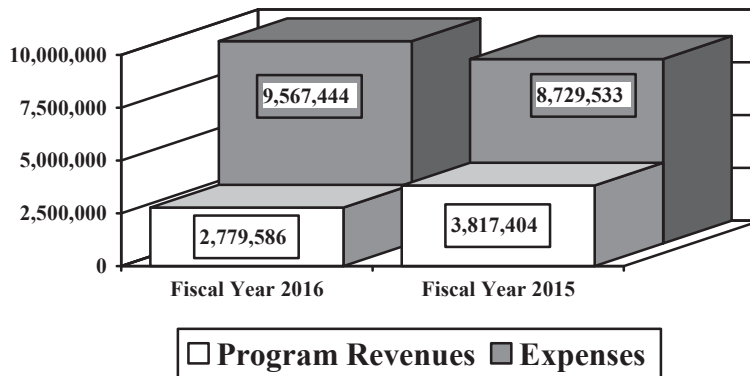
Security of persons and property, which primarily supports the sheriff’s contracts accounted for \$3,816,054 of the total expenses of the City. General government expenses totaled \$2,070,426. General government expenses were partially funded by \$440,203 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$614,095 in operating grants and contributions and \$764,820 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of these total grants and contributions, \$1,238,389 subsidized transportation programs.

General revenues totaled \$7,969,579 and amounted to 74.14% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$7,244,386. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$447,858.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen in the graph below, the City is highly dependent upon general revenues (primarily property and income taxes as well as unrestricted grants and entitlements) to support its governmental activities as program revenues are not sufficient to cover total governmental expenses for 2016.

**Governmental Activities – Program Revenues vs. Total Expenses**



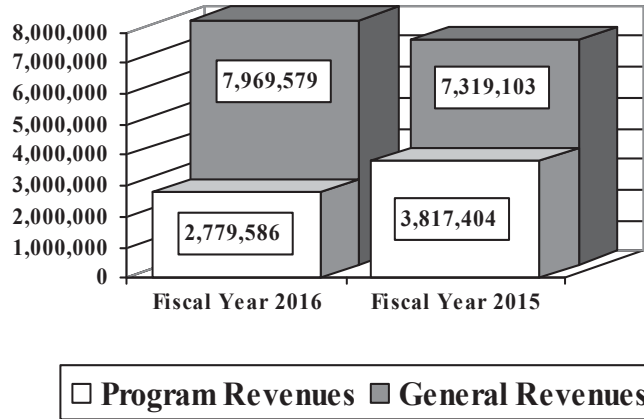
**CITY OF COSHOCTON, OHIO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<b>Governmental Activities</b>			
	<u>Total Cost of Services 2016</u>	<u>Net Cost of Services 2016</u>	<u>Total Cost of Services 2015</u>	<u>Net Cost of Services 2015</u>
Program Expenses:				
General government	\$ 2,070,426	\$ 1,528,538	\$ 1,644,972	\$ 1,252,697
Security of persons and property	3,816,054	3,816,054	3,356,674	3,350,014
Public health and welfare	1,406,184	455,790	1,206,829	252,167
Transportation	2,002,398	760,890	2,060,052	(362,021)
Community environment	11,041	10,266	235,720	234,945
Leisure time activity	227,463	209,015	207,048	190,139
Urban redevelopment and housing	23,090	(3,483)	10,449	(13,601)
Other	4,358	4,358	1,280	1,280
Interest and fiscal charges	<u>6,430</u>	<u>6,430</u>	<u>6,509</u>	<u>6,509</u>
Total	<u>\$ 9,567,444</u>	<u>\$ 6,787,858</u>	<u>\$ 8,729,533</u>	<u>\$ 4,912,129</u>

The dependence upon general revenues for governmental activities is apparent, with 70.95% of expenses supported through taxes and other general revenues. The chart below illustrates the City’s program revenues versus general revenues for 2016 and 2015.

**Governmental Activities – General and Program Revenues**

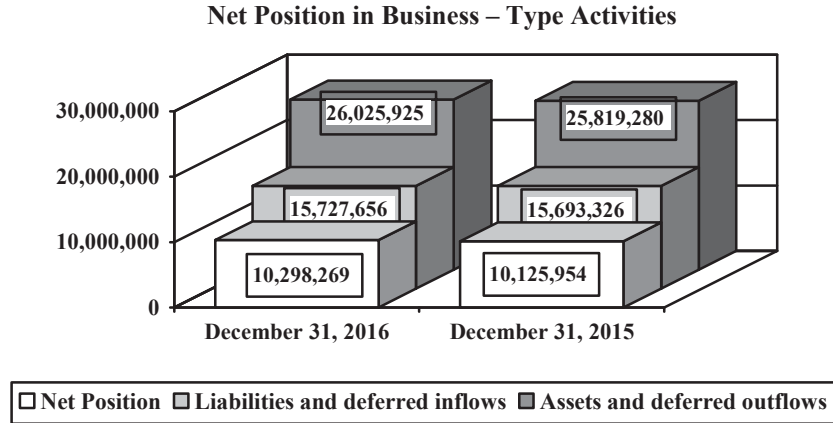


**CITY OF COSHOCTON, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**Business-type Activities**

Business-type activities include the water, sewer, and solid waste enterprise funds. These programs had program revenues of \$5,973,544 and expenses of \$5,826,172 for 2016. The graph below shows the business-type activities assets, deferred outflows, liabilities, deferred inflows and net position at year-end.



**Financial Analysis of the Government's Funds**

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

**Governmental Funds**

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

The City's governmental funds reported a combined fund balance of \$4,952,691 which is \$1,337,059 above last year's total of \$3,615,632.

The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2016 and 2015 for all major and nonmajor governmental funds.

	<u>Fund Balances</u> 12/31/16	<u>Fund Balances</u> 12/31/15	<u>Change</u>
Major funds:			
General	\$ 1,235,353	\$ 439,582	\$ 795,771
Fire	391,695	310,510	81,185
Street	278,339	307,630	(29,291)
Safety, security and law enforcement	290,783	112,264	178,519
Other nonmajor governmental funds	<u>2,756,521</u>	<u>2,445,646</u>	<u>310,875</u>
Total	<u>\$ 4,952,691</u>	<u>\$ 3,615,632</u>	<u>\$ 1,337,059</u>



**CITY OF COSHOCTON, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**General Fund**

The City's general fund balance increased \$795,771. The table that follows assists in illustrating the revenues of the general fund.

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 2,964,342	\$ 2,853,571	3.88 %
Charges for services	324,519	282,965	14.69 %
Licenses and permits	190,799	134,118	42.26 %
Investment income	6,545	2,936	122.92 %
Intergovernmental	412,500	435,024	(5.18) %
JEDD revenue	53,146	51,431	3.33 %
Other	37,062	23,926	54.90 %
Total	<u>\$ 3,988,913</u>	<u>\$ 3,783,971</u>	5.42 %

Tax revenue represents 74.31% of all general fund revenue. The increase in investment income is due to the increase in the amount of City deposits and the amount of interest on the City's various accounts.

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

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Expenditures</u></b>			
General government	\$ 1,806,737	\$ 1,507,256	19.87 %
Security of persons and property	755,355	1,438,385	(47.49) %
Public health and welfare	480,028	345,861	38.79 %
Community environment	11,041	235,720	(95.32) %
Leisure time activity	132,641	121,567	9.11 %
Other	4,358	1,280	240.47 %
Debt service	2,982	2,982	- %
Total	<u>\$ 3,193,142</u>	<u>\$ 3,653,051</u>	(12.59) %

The City decreased total expenditures during 2016 by \$459,909. The decrease in security of persons and property expenditures related to costs associated with the sheriff contract service. Community environment expenditures decreased due to the decrease in legal expenses. During 2015, the City paid expenditures associated with a legal suit with a former employee. The City did not have a similar situation in the current year.

**Fire Fund**

The fire fund had revenues of \$1,259,040 in 2016. The expenditures of the fire fund, totaled \$1,177,855 in 2016. The net increase in fund balance for the fire fund was \$81,185.

**Street Fund**

The street fund had revenues of \$1,591,443 in 2016. The expenditures of the street fund totaled \$1,620,734 in 2016. The net decrease in fund balance for the street fund was \$29,291.

**CITY OF COSHOCTON, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

***Safety, Security and Law Enforcement Fund***

The safety, security and law enforcement fund had revenues of \$1,552,922 in 2016. The expenditures of the safety, security and law enforcement fund totaled \$1,374,403 in 2016. The net increase in fund balance for the safety, security and law enforcement fund was \$178,519.

***Budgeting Highlights***

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

Budgetary information is presented for the general fund, the fire fund, the street fund and safety, security and law enforcement fund. In the general fund, one of the most significant changes was between the original and final budgeted amount in the area of revenues, which increased \$360,149 from \$3,582,386 to \$3,942,535. Actual revenues of \$4,016,368 were more than final budgeted revenues by \$73,833. The other significant change was between the final budgeted expenditures and original budgeted expenditures. Original budgeted expenditures came in \$225,456 lower than the final budgeted amounts. Actual expenditures of \$3,129,720 were less than final budgeted expenditures by \$188,944.

***Proprietary Funds***

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

The City's enterprise funds reported a combined net position of \$10,324,121. The schedule below indicates the net position and the total change in net position as of December 31, 2016 for all enterprise funds.

	<u>Net Position</u> <u>12/31/16</u>	<u>Net Position</u> <u>12/31/15</u>	<u>Change</u>
Major funds:			
Water	\$ 5,888,221	\$ 5,731,027	\$ 157,194
Sewer	3,773,085	3,787,196	(14,111)
Nonmajor fund:			
Solid waste	<u>662,815</u>	<u>533,356</u>	<u>129,459</u>
Total	<u>\$ 10,324,121</u>	<u>\$ 10,051,579</u>	<u>\$ 272,542</u>

***Water Fund***

The City's Water fund net position increased \$157,194 due mainly to decrease in personal services and materials and supplies expenses.

**CITY OF COSHOCTON, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

The following tables illustrate the revenues and expenses of the water fund.

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Operating Revenues</u></b>			
Charges for services	\$ 3,068,463	\$ 3,556,797	(13.73) %
Other	<u>19,887</u>	<u>99,876</u>	(80.09) %
Total	<u>\$ 3,088,350</u>	<u>\$ 3,656,673</u>	(15.54) %
<b><u>Operating Expenses</u></b>			
Personal services	\$ 783,294	\$ 1,082,593	(27.65) %
Contractual services	140,044	288,049	(51.38) %
Materials and supplies	840,386	1,536,445	(45.30) %
Depreciation	810,016	744,799	8.76 %
Other	<u>53</u>	<u>3,010</u>	(98.24) %
Total	<u>\$ 2,573,793</u>	<u>\$ 3,654,896</u>	(29.58) %
<b><u>Nonoperating Expenses</u></b>			
Interest expense and fiscal charges	\$ (300,927)	\$ (239,292)	25.76 %
Loss on sale of capital assets	<u>-</u>	<u>(4,400)</u>	(100.00) %
Total	<u>\$ (300,927)</u>	<u>\$ (243,692)</u>	23.49 %
<b><u>Capital Contributions and Transfers</u></b>			
Transfers	\$ (80,000)	\$ -	100.00 %
Capital contributions	<u>23,564</u>	<u>515,487</u>	(95.43) %
Total	<u>\$ (56,436)</u>	<u>\$ 515,487</u>	(110.95) %

**CITY OF COSHOCTON, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

***Sewer Fund***

The City's sewer fund net position decreased \$14,111 due to a slight increase in personal costs and materials and supplies. The following tables illustrate the revenues and expenses of the sewer fund.

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Operating Revenues</u></b>			
Charges for services	\$ 2,060,584	\$ 1,882,316	9.47 %
Other	<u>1,450</u>	<u>4,474</u>	(67.59) %
Total	<u>\$ 2,062,034</u>	<u>\$ 1,886,790</u>	9.29 %
<b><u>Operating Expenses</u></b>			
Personal services	\$ 793,133	\$ 544,065	45.78 %
Contractual services	160,972	153,432	4.91 %
Materials and supplies	593,149	286,475	107.05 %
Depreciation	<u>431,079</u>	<u>405,214</u>	6.38 %
Total	<u>\$ 1,978,333</u>	<u>\$ 1,389,186</u>	42.41 %
<b><u>Nonoperating Expenses</u></b>			
Interest expense and fiscal charges	<u>\$ (177,812)</u>	<u>\$ (182,955)</u>	2.81 %
Total	<u>\$ (177,812)</u>	<u>\$ (182,955)</u>	2.81 %
<b><u>Capital Contributions and Transfers</u></b>			
Transfers	\$ 80,000	\$ -	100.00 %
Capital contributions	<u>-</u>	<u>2,115,134</u>	(100.00) %
Total	<u>\$ 80,000</u>	<u>\$ 2,115,134</u>	(96.22) %

***Solid Waste Fund***

The City's Solid Waste fund net position increased \$129,459 due mainly to an increase in revenues related to charges for service.

**CITY OF COSHOCTON, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

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

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Operating Revenues</u></b>			
Charges for services	\$ 824,539	\$ 688,191	19.81 %
Total	<u>\$ 824,539</u>	<u>\$ 688,191</u>	19.81 %
<b><u>Operating Expenses</u></b>			
Personal services	\$ 5,286	\$ -	100.00 %
Contractual services	645,630	661,738	(2.43) %
Materials and supplies	<u>44,164</u>	<u>120,208</u>	(63.26) %
Total	<u>\$ 695,080</u>	<u>\$ 781,946</u>	(11.11) %

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of 2016, the City had \$26,906,632 (net of accumulated depreciation) invested in land, construction in progress, buildings and improvements, land improvements, furniture and equipment, vehicles and infrastructure. Of this total, \$7,792,017 was reported in governmental activities and \$19,114,615 was reported in business-type activities. See Note 10 for further description of capital assets. The following table shows 2016 balances compared to 2015:

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

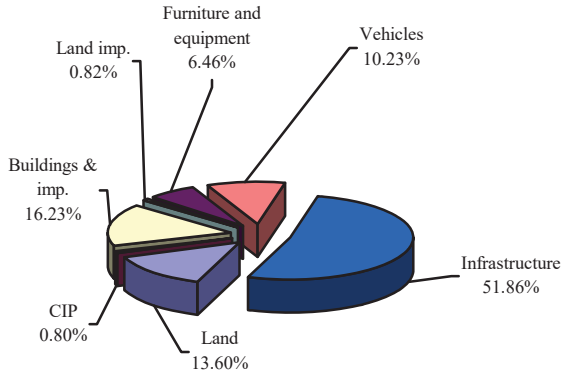
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 1,059,518	\$ 1,059,518	\$ 591,950	\$ 591,950	\$ 1,651,468	\$ 1,651,468
Land improvements	64,075	70,084	4,894	6,527	68,969	76,611
Buildings and improvements	1,264,942	1,347,676	5,127,939	5,371,746	6,392,881	6,719,422
Furniture and equipment	503,075	510,132	4,378,890	4,641,284	4,881,965	5,151,416
Vehicles	797,018	1,027,510	431,992	500,047	1,229,010	1,527,557
Infrastructure	4,040,696	1,960,218	-	-	4,040,696	1,960,218
Water and sewer lines	-	-	8,571,794	9,200,737	8,571,794	9,200,737
Construction in progress	<u>62,693</u>	<u>1,701,952</u>	<u>7,156</u>	<u>-</u>	<u>69,849</u>	<u>1,701,952</u>
Totals	<u>\$ 7,792,017</u>	<u>\$ 7,677,090</u>	<u>\$ 19,114,615</u>	<u>\$ 20,312,291</u>	<u>\$ 26,906,632</u>	<u>\$ 27,989,381</u>

**CITY OF COSHOCTON, OHIO**

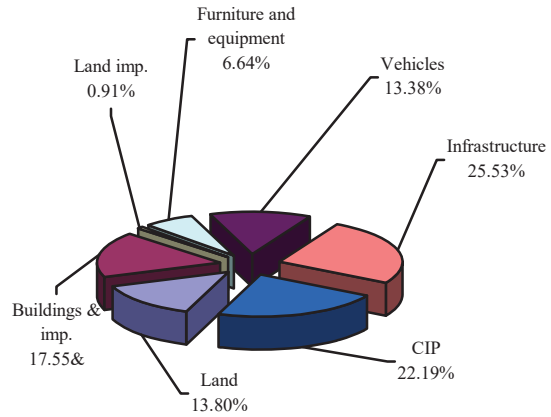
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

The following graphs show the breakdown of governmental capital assets by category for 2016 and 2015.

**Capital Assets - Governmental Activities 2016**



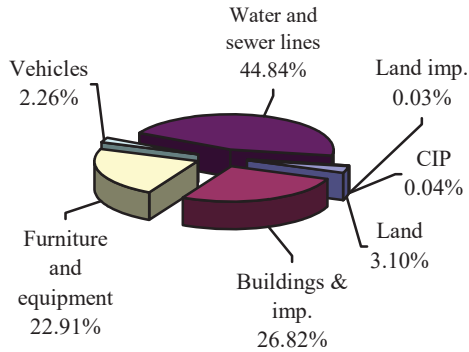
**Capital Assets - Governmental Activities 2015**



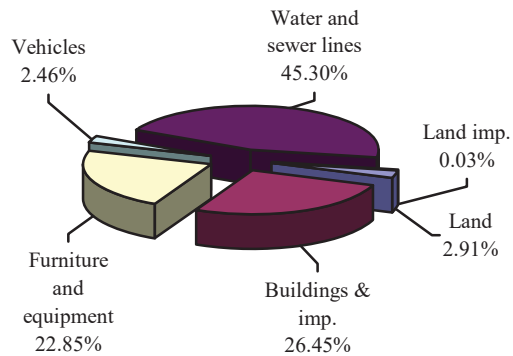
The City's largest governmental capital asset category is infrastructure. The net book value of this category (cost less accumulated depreciation) represents approximately 51.86% of the City's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2016 and 2015.

**Capital Assets - Business-Type Activities 2016**



**Capital Assets - Business-Type Activities 2015**



The City's largest business-type capital asset category is water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's water and sewer lines (cost less accumulated depreciation) represents approximately 44.84% of the City's total business-type capital assets.

## CITY OF COSHOCTON, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

#### *Debt Administration*

The City had the following debt outstanding at December 31, 2016 and 2015:

	Governmental Activities	
	<u>2016</u>	<u>2015</u>
OPWC loans	\$ 172,727	\$ 197,159
Loan payable	189,930	208,060
Capital lease obligation	<u>5,221</u>	<u>7,880</u>
Total long-term obligations	<u>\$ 367,878</u>	<u>\$ 413,099</u>
	Business-type Activities	
	<u>2016</u>	<u>2015</u>
OWDA loans	\$ 11,353,072	\$ 12,002,225
OPWC loans	403,067	432,145
Refunding bonds	-	1,615,000
Sewer notes	-	80,000
Bond anticipation notes	<u>1,810,000</u>	<u>-</u>
Total long-term obligations	<u>\$ 13,566,139</u>	<u>\$ 14,129,370</u>

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

#### **Economic Conditions and Outlook**

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

The City continues to carefully monitor two primary sources of revenue – local income taxes and shared intergovernmental (State) revenue. In order to meet the objectives of the 2016 budget, the City emphasized various efforts to continue to contain costs while pursuing new sources of revenue over the past several years. Beginning in 2005, a ½% income tax increase was passed specifically for the operational expenses and capital improvements of the fire department. A 5 year 2.4 mil levy for Streets was passed in May 2014 with an estimated revenue of \$425,000 annually. In May of 2015, a ½% increase in the municipal income tax was passed, with the increase to be effective July 1, 2015. The purpose of the increase is for Safety, Security and Law Enforcement and will generate an estimated \$1,500,000.

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

The average unemployment rate for Coshocton County in 2016 was 6.5%, compared to State of Ohio's average rate of 5.1%. With the continuation of conservative budgeting practices, the City's overall financial position is anticipated to remain stable in the future years.

## **CITY OF COSHOCTON, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016**

#### **Contacting the City's Financial Management**

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



CITY OF COSHOCTON, OHIO

STATEMENT OF NET POSITION  
DECEMBER 31, 2016

	Governmental Activities	Business-type Activities	Total
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . .	\$ 4,657,174	\$ 5,431,047	\$ 10,088,221
Receivables:			
Income taxes. . . . .	1,572,867	-	1,572,867
Property and other local taxes. . . . .	898,320	-	898,320
Accounts. . . . .	77,353	893,690	971,043
Accrued interest. . . . .	36	-	36
Special assessments . . . . .	975	-	975
Internal balances . . . . .	25,852	(25,852)	-
Due from other governments . . . . .	478,270	-	478,270
Materials and supplies inventory. . . . .	95,567	61,024	156,591
Due from JEDDS . . . . .	26,713	-	26,713
Net pension asset . . . . .	54	25	79
Capital assets:			
Land and constuction in progress . . . . .	1,122,211	599,106	1,721,317
Depreciable capital assets, net. . . . .	6,669,806	18,515,509	25,185,315
Total capital assets, net. . . . .	<u>7,792,017</u>	<u>19,114,615</u>	<u>26,906,632</u>
Total assets . . . . .	<u>15,625,198</u>	<u>25,474,549</u>	<u>41,099,747</u>
<b>Deferred outflows of resources:</b>			
Pension - OPERS . . . . .	1,177,518	551,376	1,728,894
Pension - OP&F . . . . .	<u>756,982</u>	<u>-</u>	<u>756,982</u>
Total deferred outflows of resources . . . . .	<u>1,934,500</u>	<u>551,376</u>	<u>2,485,876</u>
<b>Liabilities:</b>			
Accounts payable. . . . .	79,662	347,709	427,371
Contracts payable. . . . .	31,950	5,903	37,853
Accrued wages and benefits payable . . . . .	118,150	42,210	160,360
Due to other governments . . . . .	97,484	21,499	118,983
Accrued interest payable . . . . .	-	34,038	34,038
Claims payable . . . . .	168,151	-	168,151
Long-term liabilities:			
Due within one year . . . . .	194,559	2,541,649	2,736,208
Due in more than one year			
Net pension liability . . . . .	6,160,802	1,370,686	7,531,488
Other amounts due in more than one year . . . . .	<u>876,115</u>	<u>11,337,478</u>	<u>12,213,593</u>
Total liabilities . . . . .	<u>7,726,873</u>	<u>15,701,172</u>	<u>23,428,045</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year. . . . .	834,611	-	834,611
Pension - OPERS . . . . .	56,560	26,484	83,044
Pension - OP&F . . . . .	<u>136,291</u>	<u>-</u>	<u>136,291</u>
Total deferred inflows of resources . . . . .	<u>1,027,462</u>	<u>26,484</u>	<u>1,053,946</u>
<b>Net position:</b>			
Net investment in capital assets. . . . .	7,424,139	5,548,476	12,972,615
Restricted for:			
Capital projects . . . . .	1,066,320	-	1,066,320
Perpetual care:			
Expendable. . . . .	179,390	-	179,390
Nonexpendable. . . . .	250,000	-	250,000
Transportation projects . . . . .	446,467	-	446,467
Public health and welfare programs. . . . .	23,110	-	23,110
Public safety programs. . . . .	543,494	-	543,494
Other purposes. . . . .	227,526	-	227,526
Unrestricted (deficit) . . . . .	<u>(1,355,083)</u>	<u>4,749,793</u>	<u>3,394,710</u>
Total net position . . . . .	<u>\$ 8,805,363</u>	<u>\$ 10,298,269</u>	<u>\$ 19,103,632</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COSHOCTON, OHIO

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
Current:				
General government . . . . .	\$ 2,070,426	\$ 440,203	\$ 47,189	\$ 54,496
Security of persons and property . . .	3,816,054	-	-	-
Public health and welfare . . . . .	1,406,184	938,126	12,268	-
Transportation . . . . .	2,002,398	3,119	528,065	710,324
Community environment . . . . .	11,041	775	-	-
Leisure time activity . . . . .	227,463	18,448	-	-
Urban redevelopment and housing . .	23,090	-	26,573	-
Other . . . . .	4,358	-	-	-
Interest and fiscal charges . . . . .	6,430	-	-	-
Total governmental activities . . . . .	<u>9,567,444</u>	<u>1,400,671</u>	<u>614,095</u>	<u>764,820</u>
<b>Business-type activities:</b>				
Water . . . . .	2,942,353	3,068,463	-	19,958
Sewer . . . . .	2,188,739	2,060,584	-	-
Solid waste . . . . .	695,080	824,539	-	-
Total business-type activities . . . . .	<u>5,826,172</u>	<u>5,953,586</u>	<u>-</u>	<u>19,958</u>
Total primary government . . . . .	<u>\$ 15,393,616</u>	<u>\$ 7,354,257</u>	<u>\$ 614,095</u>	<u>\$ 784,778</u>

**General revenues:**

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

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (1,528,538)	\$ -	\$ (1,528,538)
(3,816,054)	-	(3,816,054)
(455,790)	-	(455,790)
(760,890)	-	(760,890)
(10,266)	-	(10,266)
(209,015)	-	(209,015)
3,483	-	3,483
(4,358)	-	(4,358)
(6,430)	-	(6,430)
<u>(6,787,858)</u>	<u>-</u>	<u>(6,787,858)</u>
-	146,068	146,068
-	(128,155)	(128,155)
-	129,459	129,459
<u>-</u>	<u>147,372</u>	<u>147,372</u>
<u>(6,787,858)</u>	<u>147,372</u>	<u>(6,640,486)</u>
374,925	-	374,925
385,629	-	385,629
45,010	-	45,010
2,496,807	-	2,496,807
1,188,619	-	1,188,619
1,684,605	-	1,684,605
47,543	-	47,543
443,718	-	443,718
22,881	-	22,881
554,649	-	554,649
53,146	-	53,146
52,620	-	52,620
15,197	-	15,197
73,754	-	73,754
447,858	-	447,858
6,545	-	6,545
76,073	21,337	97,410
<u>7,969,579</u>	<u>21,337</u>	<u>7,990,916</u>
<u>(3,606)</u>	<u>3,606</u>	<u>-</u>
<u>7,965,973</u>	<u>24,943</u>	<u>7,990,916</u>
1,178,115	172,315	1,350,430
<u>7,627,248</u>	<u>10,125,954</u>	<u>17,753,202</u>
<u>\$ 8,805,363</u>	<u>\$ 10,298,269</u>	<u>\$ 19,103,632</u>

**CITY OF COSHOCTON, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016

	<u>General</u>	<u>Fire</u>	<u>Street</u>	<u>Safety, Security &amp; Law Enforcement</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . .	\$ 1,163,656	\$ 369,796	\$ 151,683	\$ 179,007
Receivables:				
Income taxes. . . . .	637,970	303,769	113,400	357,842
Property and other local taxes . . . . .	414,641	-	-	-
Accounts. . . . .	64,249	452	-	-
Accrued interest . . . . .	-	-	-	-
Special assessments . . . . .	-	-	975	-
Due from other funds . . . . .	1,264	-	-	-
Due from other governments. . . . .	144,915	-	253,747	-
Materials and supplies inventory. . . . .	1,412	-	94,155	-
Due from external parties . . . . .	13,423	6,645	-	6,645
Total assets . . . . .	<u>\$ 2,441,530</u>	<u>\$ 680,662</u>	<u>\$ 613,960</u>	<u>\$ 543,494</u>
<b>Liabilities:</b>				
Accounts payable. . . . .	\$ 35,198	\$ 4,399	\$ 10,475	\$ -
Contracts payable. . . . .	-	-	-	-
Accrued wages and benefits payable . . . . .	52,629	35,405	16,536	-
Compensated absences payable . . . . .	46,215	-	-	-
Due to other funds . . . . .	-	-	-	-
Due to other governments . . . . .	32,626	34,639	8,050	-
Total liabilities . . . . .	<u>166,668</u>	<u>74,443</u>	<u>35,061</u>	<u>-</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year. . .	387,245	-	-	-
Delinquent property tax revenue not available. . .	27,396	-	-	-
Special assessments revenue not available. . . . .	-	-	975	-
Miscellaneous revenue not available. . . . .	49,261	-	-	-
Income tax revenue not available . . . . .	450,540	214,524	80,084	252,711
Other nonexchange transactions not available . . .	125,067	-	219,501	-
Total deferred inflows of resources . . . . .	<u>1,039,509</u>	<u>214,524</u>	<u>300,560</u>	<u>252,711</u>
Total liabilities and deferred inflows of resources.	<u>1,206,177</u>	<u>288,967</u>	<u>335,621</u>	<u>252,711</u>
<b>Fund balances:</b>				
Nonspendable . . . . .	2,189	-	94,155	-
Restricted. . . . .	-	391,695	184,184	290,783
Committed . . . . .	-	-	-	-
Assigned . . . . .	7,022	-	-	-
Unassigned (deficit). . . . .	1,226,142	-	-	-
Total fund balances. . . . .	<u>1,235,353</u>	<u>391,695</u>	<u>278,339</u>	<u>290,783</u>
Total liabilities, deferred inflows of resources and fund balances . . . . .	<u>\$ 2,441,530</u>	<u>\$ 680,662</u>	<u>\$ 613,960</u>	<u>\$ 543,494</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 2,776,238	\$ 4,640,380
159,886	1,572,867
483,679	898,320
5,652	70,353
36	36
-	975
-	1,264
79,608	478,270
-	95,567
-	26,713
<u>\$ 3,505,099</u>	<u>\$ 7,784,745</u>
\$ 29,590	\$ 79,662
31,950	31,950
13,580	118,150
-	46,215
1,264	1,264
22,169	97,484
<u>98,553</u>	<u>374,725</u>
447,366	834,611
31,650	59,046
-	975
-	49,261
112,912	1,110,771
58,097	402,665
<u>650,025</u>	<u>2,457,329</u>
<u>748,578</u>	<u>2,832,054</u>
250,000	346,344
1,997,157	2,863,819
511,020	511,020
-	7,022
(1,656)	1,224,486
<u>2,756,521</u>	<u>4,952,691</u>
<u>\$ 3,505,099</u>	<u>\$ 7,784,745</u>

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**CITY OF COSHOCTON, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2016

<b>Total governmental fund balances</b>	\$	4,952,691
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		7,792,017
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Income taxes receivable	\$ 1,110,771	
Property taxes receivable	59,046	
Miscellaneous receivable	49,261	
Intergovernmental receivable	402,665	
Special assessments receivable	975	
Total	1,622,718	1,622,718
An internal service fund is used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position. The net position of the internal service fund, including internal balances of \$25,852, is:		(118,505)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:		
Capital lease payable	(5,221)	
Loan payable	(189,930)	
OPWC loans	(172,727)	
Compensated absences	(656,581)	
Total	(1,024,459)	(1,024,459)
The net pension liability is not due and payable in the current period; therefore, liability and related deferred inflows are not reported in governmental funds.		
Deferred outflows	1,934,500	
Deferred inflows	(192,851)	
Net pension asset	54	
Net pension liability	(6,160,802)	
Total	(4,419,099)	(4,419,099)
<b>Net position of governmental activities</b>	<b>\$</b>	<b>8,805,363</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF COSHOCTON, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>General</u>	<u>Fire</u>	<u>Street</u>	<u>Safety, Security &amp; Law Enforcement</u>
<b>Revenues:</b>				
Income taxes . . . . .	\$ 2,571,684	\$ 1,224,435	\$ 457,094	\$ 1,526,612
Property and other taxes. . . . .	392,658	-	-	-
Charges for services. . . . .	324,519	-	-	-
Licenses and permits . . . . .	190,799	-	-	-
Fines and forfeitures . . . . .	-	-	-	-
Intergovernmental. . . . .	412,500	-	1,102,817	-
Special assessments . . . . .	-	-	3,008	-
Investment income. . . . .	6,545	-	111	-
JEDD revenue. . . . .	53,146	26,310	-	26,310
Other . . . . .	37,062	8,295	28,413	-
Total revenues . . . . .	<u>3,988,913</u>	<u>1,259,040</u>	<u>1,591,443</u>	<u>1,552,922</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	1,806,737	-	-	-
Security of persons and property . . . . .	755,355	1,177,855	-	1,374,403
Public health and welfare. . . . .	480,028	-	-	-
Transportation . . . . .	-	-	921,652	-
Community environment . . . . .	11,041	-	-	-
Leisure time activity . . . . .	132,641	-	-	-
Urban redevelopment and housing . . . . .	-	-	-	-
Other . . . . .	4,358	-	-	-
Capital outlay . . . . .	-	-	674,845	-
Debt service:				
Principal retirement. . . . .	2,659	-	18,130	-
Interest and fiscal charges . . . . .	323	-	6,107	-
Total expenditures . . . . .	<u>3,193,142</u>	<u>1,177,855</u>	<u>1,620,734</u>	<u>1,374,403</u>
Net change in fund balances . . . . .	795,771	81,185	(29,291)	178,519
<b>Fund balances at beginning of year . . . . .</b>	<u>439,582</u>	<u>310,510</u>	<u>307,630</u>	<u>112,264</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 1,235,353</u>	<u>\$ 391,695</u>	<u>\$ 278,339</u>	<u>\$ 290,783</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 644,302	\$ 6,424,127
507,390	900,048
743,497	1,068,016
32,608	223,407
82,897	82,897
239,741	1,755,058
-	3,008
13,218	19,874
-	105,766
4,348	78,118
<u>2,268,001</u>	<u>10,660,319</u>

188,635	1,995,372
64,148	3,371,761
824,524	1,304,552
478,977	1,400,629
-	11,041
12,948	145,589
23,090	23,090
-	4,358
340,372	1,015,217
24,432	45,221
-	6,430
<u>1,957,126</u>	<u>9,323,260</u>

310,875	1,337,059
2,445,646	3,615,632
<u>\$ 2,756,521</u>	<u>\$ 4,952,691</u>

**CITY OF COSHOCTON, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016

<b>Net change in fund balances - total governmental funds</b>	\$	1,337,059
 <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 statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.		
Capital asset additions	\$ 1,087,162	
Current year depreciation	<u>(968,629)</u>	
Total		118,533
 The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to increase net position.		
		(3,606)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes	14,695	
Property taxes	(5,533)	
Miscellaneous	18,187	
Intergovernmental revenues	38,283	
Special assessments	<u>(282)</u>	
Total		65,350
 Repayment of note and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		45,221
 Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		39,781
 Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		493,836
 Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(918,570)
 The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue of the internal service fund, including internal balance activity of \$100,227, is allocated among the governmental activities.		
		<u>511</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>1,178,115</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF COSHOCTON, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Income taxes . . . . .	\$ 2,250,000	\$ 2,521,216	\$ 2,605,300	\$ 84,084
Property and other taxes. . . . .	400,000	391,186	391,437	251
Charges for services. . . . .	285,000	320,400	320,902	502
Licenses and permits . . . . .	134,375	191,075	190,799	(276)
Intergovernmental. . . . .	424,836	420,032	413,584	(6,448)
Investment income. . . . .	3,000	6,000	5,983	(17)
JEDD revenue. . . . .	51,000	54,451	51,892	(2,559)
Other . . . . .	34,175	38,175	36,471	(1,704)
Total revenues . . . . .	<u>3,582,386</u>	<u>3,942,535</u>	<u>4,016,368</u>	<u>73,833</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	1,737,237	1,869,887	1,761,681	108,206
Security of persons and property . . . . .	800,000	784,800	753,967	30,833
Public health and welfare. . . . .	392,024	495,674	467,860	27,814
Community environment . . . . .	20,247	20,247	12,723	7,524
Leisure time activity . . . . .	143,700	148,056	133,489	14,567
Total expenditures . . . . .	<u>3,093,208</u>	<u>3,318,664</u>	<u>3,129,720</u>	<u>188,944</u>
Net change in fund balances . . . . .	489,178	623,871	886,648	262,777
<b>Fund balances at beginning of year . . . . .</b>	268,292	268,292	268,292	-
<b>Prior year encumbrances appropriated . . .</b>	288	288	288	-
<b>Fund balance at end of year. . . . .</b>	<u>\$ 757,758</u>	<u>\$ 892,451</u>	<u>\$ 1,155,228</u>	<u>\$ 262,777</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF COSHOCTON, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 FIRE FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Income taxes . . . . .	\$ 1,078,000	\$ 1,202,000	\$ 1,240,510	\$ 38,510
JEDD revenue. . . . .	22,000	25,680	25,688	8
Other . . . . .	-	-	7,843	7,843
<b>Total revenues . . . . .</b>	<b>1,100,000</b>	<b>1,227,680</b>	<b>1,274,041</b>	<b>46,361</b>
<b>Expenditures:</b>				
Current:				
Security of persons and property . . . . .	1,309,000	1,316,600	1,174,035	142,565
<b>Total expenditures . . . . .</b>	<b>1,309,000</b>	<b>1,316,600</b>	<b>1,174,035</b>	<b>142,565</b>
Net change in fund balances . . . . .	(209,000)	(88,920)	100,006	188,926
<b>Fund balances at beginning of year . . . . .</b>	<b>269,790</b>	<b>269,790</b>	<b>269,790</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 60,790</b>	<b>\$ 180,870</b>	<b>\$ 369,796</b>	<b>\$ 188,926</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF COSHOCTON, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 STREET FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Income taxes . . . . .	\$ 420,000	\$ 448,277	\$ 463,097	\$ 14,820
Intergovernmental. . . . .	1,169,745	1,169,745	1,133,941	(35,804)
Special assessments . . . . .	886	886	3,008	2,122
Investment income. . . . .	100	100	111	11
Other . . . . .	9,114	9,114	30,837	21,723
Total revenues . . . . .	1,599,845	1,628,122	1,630,994	2,872
<b>Expenditures:</b>				
Current:				
Transportation . . . . .	1,058,500	1,036,400	964,694	71,706
Capital outlay . . . . .	674,845	674,845	674,845	-
Debt service:				
Principal retirement. . . . .	-	18,403	18,130	273
Interest and fiscal charges . . . . .	-	6,597	6,107	490
Total expenditures . . . . .	1,733,345	1,736,245	1,663,776	72,469
Net change in fund balances . . . . .	(133,500)	(108,123)	(32,782)	75,341
<b>Fund balances at beginning of year . . . . .</b>	169,554	169,554	169,554	-
<b>Prior year encumbrances appropriated . . . . .</b>	293	293	293	-
<b>Fund balance at end of year . . . . .</b>	\$ 36,347	\$ 61,724	\$ 137,065	\$ 75,341

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF COSHOCTON, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 SAFETY, SECURITY & LAW ENFORCEMENT FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Income taxes . . . . .	\$ 1,378,000	\$ 1,378,000	\$ 1,461,330	\$ 83,330
JEDD revenue. . . . .	22,000	22,000	25,688	3,688
Total revenues . . . . .	1,400,000	1,400,000	1,487,018	87,018
<b>Expenditures:</b>				
Current:				
Security of persons and property . . . . .	1,400,000	1,410,000	1,374,403	35,597
Total expenditures . . . . .	1,400,000	1,410,000	1,374,403	35,597
Net change in fund balances . . . . .	-	(10,000)	112,615	122,615
<b>Fund balances at beginning of year . . . . .</b>	<b>66,392</b>	<b>66,392</b>	<b>66,392</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 66,392</b>	<b>\$ 56,392</b>	<b>\$ 179,007</b>	<b>\$ 122,615</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COSHOCTON, OHIO

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Nonmajor Enterprise Fund	Total	
<b>Assets:</b>					
Current assets:					
Equity in pooled cash and cash equivalents . . .	\$ 3,167,877	\$ 1,714,497	\$ 548,673	\$ 5,431,047	\$ 16,794
Receivables:					
Accounts . . . . .	376,910	342,257	174,523	893,690	7,000
Materials and supplies inventory . . . . .	61,024	-	-	61,024	-
Total current assets . . . . .	<u>3,605,811</u>	<u>2,056,754</u>	<u>723,196</u>	<u>6,385,761</u>	<u>23,794</u>
Noncurrent assets:					
Net pension asset . . . . .	17	8	-	25	-
Capital assets:					
Land and construction in progress . . . . .	591,950	7,156	-	599,106	-
Depreciable capital assets, net . . . . .	10,295,331	8,220,178	-	18,515,509	-
Total capital assets, net . . . . .	<u>10,887,281</u>	<u>8,227,334</u>	<u>-</u>	<u>19,114,615</u>	<u>-</u>
Total noncurrent assets . . . . .	<u>10,887,298</u>	<u>8,227,342</u>	<u>-</u>	<u>19,114,640</u>	<u>-</u>
Total assets . . . . .	<u>14,493,109</u>	<u>10,284,096</u>	<u>723,196</u>	<u>25,500,401</u>	<u>23,794</u>
<b>Deferred outflows of resources:</b>					
Pension - OPERS . . . . .	377,908	173,468	-	551,376	-
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable . . . . .	193,217	94,111	60,381	347,709	-
Contracts payable . . . . .	-	5,903	-	5,903	-
Accrued wages and benefits payable . . . . .	12,486	29,724	-	42,210	-
Compensated absences payable - current . . . . .	24,398	7,205	-	31,603	-
Due to other governments . . . . .	14,108	7,391	-	21,499	-
Accrued interest payable . . . . .	34,038	-	-	34,038	-
Claims payable . . . . .	-	-	-	-	168,151
OWDA loans payable . . . . .	484,483	186,485	-	670,968	-
OPWC loans payable . . . . .	24,485	4,593	-	29,078	-
Bond anticipation notes payable . . . . .	1,810,000	-	-	1,810,000	-
Total current liabilities . . . . .	<u>2,597,215</u>	<u>335,412</u>	<u>60,381</u>	<u>2,993,008</u>	<u>168,151</u>
Long-term liabilities:					
Compensated absences payable . . . . .	201,172	80,213	-	281,385	-
OWDA loans payable . . . . .	4,873,324	5,808,780	-	10,682,104	-
OPWC loans payable . . . . .	353,478	20,511	-	373,989	-
Net pension liability . . . . .	939,455	431,231	-	1,370,686	-
Total long-term liabilities . . . . .	<u>6,367,429</u>	<u>6,340,735</u>	<u>-</u>	<u>12,708,164</u>	<u>-</u>
Total liabilities . . . . .	<u>8,964,644</u>	<u>6,676,147</u>	<u>60,381</u>	<u>15,701,172</u>	<u>168,151</u>
<b>Deferred inflows of resources:</b>					
Pension - OPERS . . . . .	18,152	8,332	-	26,484	-
<b>Net position:</b>					
Net investment in capital assets . . . . .	3,341,511	2,206,965	-	5,548,476	-
Unrestricted (deficit) . . . . .	2,546,710	1,566,120	662,815	4,775,645	(144,357)
Total net position (deficit) . . . . .	<u>\$ 5,888,221</u>	<u>\$ 3,773,085</u>	<u>\$ 662,815</u>	<u>10,324,121</u>	<u>\$ (144,357)</u>
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.				(25,852)	
Net position of business-type activities				<u>\$ 10,298,269</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COSHOCTON, OHIO

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Nonmajor Enterprise Fund	Total	
<b>Operating revenues:</b>					
Charges for services . . . . .	\$ 3,068,463	\$ 2,060,584	\$ 824,539	\$ 5,953,586	\$ 1,335,851
Other . . . . .	19,887	1,450	-	21,337	-
Total operating revenues. . . . .	<u>3,088,350</u>	<u>2,062,034</u>	<u>824,539</u>	<u>5,974,923</u>	<u>1,335,851</u>
<b>Operating expenses:</b>					
Personal services . . . . .	783,294	793,133	5,286	1,581,713	-
Contract services. . . . .	140,044	160,972	645,630	946,646	211,276
Materials and supplies. . . . .	840,386	593,149	44,164	1,477,699	1,314
Claims . . . . .	-	-	-	-	1,222,977
Other . . . . .	53	-	-	53	-
Depreciation. . . . .	810,016	431,079	-	1,241,095	-
Total operating expenses. . . . .	<u>2,573,793</u>	<u>1,978,333</u>	<u>695,080</u>	<u>5,247,206</u>	<u>1,435,567</u>
Operating income (loss) . . . . .	<u>514,557</u>	<u>83,701</u>	<u>129,459</u>	<u>727,717</u>	<u>(99,716)</u>
<b>Nonoperating expenses:</b>					
Interest and fiscal charges . . . . .	(300,927)	(177,812)	-	(478,739)	-
Total nonoperating expenses . . . . .	<u>(300,927)</u>	<u>(177,812)</u>	<u>-</u>	<u>(478,739)</u>	<u>-</u>
Income (loss) before contributions and transfers . . . . .	<u>213,630</u>	<u>(94,111)</u>	<u>129,459</u>	<u>248,978</u>	<u>(99,716)</u>
Transfer in . . . . .	-	80,000	-	80,000	-
Transfer out . . . . .	(80,000)	-	-	(80,000)	-
Capital contributions. . . . .	23,564	-	-	23,564	-
Change in net position . . . . .	157,194	(14,111)	129,459	272,542	(99,716)
<b>Net position (deficit) at beginning of year . . . . .</b>	<u>5,731,027</u>	<u>3,787,196</u>	<u>533,356</u>		<u>(44,641)</u>
<b>Net position (deficit) at end of year . . . . .</b>	<u>\$ 5,888,221</u>	<u>\$ 3,773,085</u>	<u>\$ 662,815</u>		<u>\$ (144,357)</u>
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds.				(100,227)	
Change in net position of business-type activities.				<u>\$ 172,315</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



CITY OF COSHOCTON, OHIO

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Nonmajor Enterprise Fund	Total	
<b>Cash flows from operating activities:</b>					
Cash received from customers . . . . .	\$ 2,969,941	\$ 2,007,531	\$ 779,711	\$ 5,757,183	\$ -
Cash received from interfund services . . . . .	-	-	-	-	1,328,851
Cash received from other operations . . . . .	19,887	1,450	-	21,337	-
Cash payments for personal services . . . . .	(793,447)	(755,049)	(5,286)	(1,553,782)	-
Cash payments for contract services . . . . .	(123,858)	(157,196)	(636,031)	(917,085)	(211,276)
Cash payments for materials and supplies . . . . .	(749,698)	(537,944)	(44,164)	(1,331,806)	(1,314)
Cash payments for claims. . . . .	-	-	-	-	(1,175,715)
Cash payments for other expenses . . . . .	(53)	-	-	(53)	-
Net cash provided by (used in) operating activities. . .	<u>1,322,772</u>	<u>558,792</u>	<u>94,230</u>	<u>1,975,794</u>	<u>(59,454)</u>
<b>Cash flows from capital and related financing activities:</b>					
Acquisition of capital assets . . . . .	(3,118)	(55,813)	-	(58,931)	-
Capital contributions . . . . .	19,958	-	-	19,958	-
Proceeds of notes. . . . .	1,810,000	-	-	1,810,000	-
Principal retirement on loans. . . . .	(2,187,446)	(185,785)	-	(2,373,231)	-
Interest and fiscal charges. . . . .	(266,889)	(177,812)	-	(444,701)	-
Net cash used in capital and related financing activities. .	<u>(627,495)</u>	<u>(419,410)</u>	<u>-</u>	<u>(1,046,905)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents . . .	695,277	139,382	94,230	928,889	(59,454)
<b>Cash and cash equivalents at beginning of year . . .</b>	<u>2,472,600</u>	<u>1,575,115</u>	<u>454,443</u>	<u>4,502,158</u>	<u>76,248</u>
<b>Cash and cash equivalents at end of year . . . . .</b>	<u>\$ 3,167,877</u>	<u>\$ 1,714,497</u>	<u>\$ 548,673</u>	<u>\$ 5,431,047</u>	<u>\$ 16,794</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>					
Operating income (loss) . . . . .	\$ 514,557	\$ 83,701	\$ 129,459	\$ 727,717	\$ (99,716)
Adjustments:					
Depreciation. . . . .	810,016	431,079	-	1,241,095	-
Changes in assets and liabilities:					
Accounts receivable. . . . .	(98,522)	(53,053)	(44,828)	(196,403)	(7,000)
Materials and supplies inventory . . . . .	(14,654)	-	-	(14,654)	-
Net pension asset . . . . .	(17)	(8)	-	(25)	-
Deferred outflows - pension - OPERS . . . . .	(244,033)	(120,544)	-	(364,577)	-
Accounts payable . . . . .	120,924	53,078	9,599	183,601	-
Contracts payable . . . . .	-	5,903	-	5,903	-
Accrued wages and benefits. . . . .	2,831	9,363	-	12,194	-
Intergovernmental payable . . . . .	(12,784)	(5,212)	-	(17,996)	-
Compensated absences payable. . . . .	9,195	486	-	9,681	-
Net pension liability . . . . .	229,578	150,597	-	380,175	-
Deferred inflows - pension - OPERS . . . . .	5,681	3,402	-	9,083	-
Claims payable . . . . .	-	-	-	-	47,262
Net cash provided by (used in) operating activities. . .	<u>\$ 1,322,772</u>	<u>\$ 558,792</u>	<u>\$ 94,230</u>	<u>\$ 1,975,794</u>	<u>\$ (59,454)</u>

**Non-cash transactions:**

During 2015, the water fund purchased materials on account for \$3,118  
 During 2015, the sewer fund purchased materials on account for \$16,000  
 During 2016, City's governmental funds contributed \$18,023 in capital assets to the water fund. The accumulated depreciation on the asset was \$14,417 at 12.31.15.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF COSHOCTON, OHIO**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2016

	<u>Private-Purpose Trust</u>	<u>Agency</u>
<b>Assets:</b>		
Current assets:		
Equity in pooled cash and cash equivalents . . . . .	\$ 225,611	\$ 67,157
Cash in segregated accounts. . . . .	-	30,108
Receivables:		
Accounts . . . . .	-	1,699
Accrued interest. . . . .	1	-
	<u>225,612</u>	<u>98,964</u>
Total assets . . . . .	<u>225,612</u>	<u>\$ 98,964</u>
<b>Liabilities:</b>		
Due to others . . . . .	-	\$ 68,856
Undistributed monies . . . . .	-	30,108
Total liabilities . . . . .	<u>-</u>	<u>\$ 98,964</u>
<b>Net position:</b>		
Held in trust . . . . .	<u>225,612</u>	
Total net position . . . . .	<u>\$ 225,612</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF COSHOCTON, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 DECEMBER 31, 2016

	<b>Private-Purpose Trust</b>
	<u>                    </u>
<b>Additions:</b>	
Investment income . . . . .	\$          232
Total additions . . . . .	<u>          232</u>
 <b>Deductions:</b>	
Benefits. . . . .	<u>          1,575</u>
Total deductions. . . . .	<u>          1,575</u>
 Change in net position . . . . .	(1,343)
 <b>Net position at beginning of year. . . . .</b>	<u>          226,955</u>
 <b>Net position at end of year . . . . .</b>	<u><u>          \$      225,612</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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## CITY OF COSHOCTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

#### NOTE 1 - DESCRIPTION OF THE CITY

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

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### A. Reporting Entity

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

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's Governing Board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the City has no component units. The basic financial statements of the reporting entity include only those of the City (the primary government).

## CITY OF COSHOCTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

##### *JOINTLY GOVERNED ORGANIZATIONS*

Ohio Mid-Eastern Governments Association (OMEGA) - The City is associated with the Ohio Mid-Eastern Governments Association, which is a ten county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum and Tuscarawas counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a twenty-one member Executive Board comprised of members appointed from each participating county and cities within each county. City membership is voluntary. The mayor of the City of Coshocton serves as the City's representative on the Board. The Board has total control over budgeting, personnel and financial matters. Each member currently pays a per capita membership fee based on the most recent United States census. During 2016, OMEGA received \$1,699 from the City of Coshocton for an annual fee. OMEGA has no outstanding debt. Information can be obtained from 326 Highland Avenue, P.O. Box 130, Cambridge, Ohio 43725.

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

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

## CITY OF COSHOCTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

##### *PUBLIC ENTITY RISK POOL*

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

##### **B. Basis of Presentation - Fund Accounting**

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

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

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

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

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

## CITY OF COSHOCTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

##### C. Fund Accounting

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

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

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

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

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

Safety, security and law enforcement fund - The safety, security and law enforcement fund accounts for income tax monies collected and used for county sheriff police protection and for security equipment in and around City properties.

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

**Proprietary Funds** - Proprietary fund reporting focuses on changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

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

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

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

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



## CITY OF COSHOCTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

#### **D. Measurement Focus and Basis of Accounting**

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

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

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

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

#### **E. Basis of Accounting**

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

## CITY OF COSHOCTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

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

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

**Deferred Outflows of Resources and Deferred Inflows of Resources** - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, see Note 15 for deferred outflows of resources related the City's net pension liability.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance 2017 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes, but is not limited to, income taxes, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

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

For the City, see Note 15 for deferred inflows of resources related to the City's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

**F. Budgetary Data**

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

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

*Estimated Resources* - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. On or before December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include encumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the City Auditor determines, and the Budget Commission agrees, that estimates need to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2016.

## CITY OF COSHOCTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

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

#### G. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During 2016, investments were limited to non-negotiable certificates of deposit which are reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2016 amounted to \$6,545 which includes \$4,999 assigned from other City funds.

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

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

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

#### H. Inventories of Materials and Supplies

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

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

**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

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

**I. Capital Assets**

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

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

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

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

**J. Compensated Absences**

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

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

## CITY OF COSHOCTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

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

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

#### **K. Accrued Liabilities and Long-Term Obligations**

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

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

#### **L. Interfund Balances**

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

#### **M. Fund Balance**

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

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

**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council, which includes giving the City Auditor the authority to constrain monies for intended purposes.

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

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

**N. Estimates**

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

**O. Net Position**

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

## CITY OF COSHOCTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

##### **P. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2016.

##### **Q. Pensions**

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

#### NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

##### **A. Change in Accounting Principles**

For 2016, the City has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", GASB Statement No. 77, "Tax Abatement Disclosures", GASB Statement No. 78, "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans" and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The City incorporated the corresponding GASB 72 guidance into its 2016 financial statements, however GASB Statement No. 72 did not have an effect on the beginning net position/fund balance of the City.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the City.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the City.



**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. The City incorporated the corresponding GASB 77 guidance into its 2016 financial statements. See Note 21 for the tax abatement disclosure. GASB 77 did not have an effect on the beginning net position/fund balance of the City.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the City.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The City participates in STAR Ohio which implemented GASB Statement No. 79 for 2016. The City incorporated the corresponding GASB 79 guidance into its 2016 financial statements; however, there was no effect on beginning net position/fund balance.

**B. Deficit Fund Balances**

Fund balances at December 31, 2016 included the following individual fund deficit:

<u>Nonmajor fund</u>	<u>Deficit</u>
Lodging tax fund	\$ 1,656

The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities. Also, the internal service fund has a deficit net position of \$144,357 at December 31, 2016, resulting from accrued liabilities. The deficit balance will be eliminated by resources not recognized at fiscal year-end.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

## CITY OF COSHOCTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

#### NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

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

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

**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**A. Cash on Hand**

At December 31, 2016, the City had \$507 of undeposited cash on hand which is included in “equity in pooled cash and cash equivalents”.

**B. Cash in Segregated Accounts**

At December 31, 2016, \$30,108 was deposited in a segregated account for the City’s Municipal Court. This amount is excluded from the internal cash pool and is reported on the statement of fiduciary net position as “cash in segregated accounts”.

**C. Deposits with Financial Institutions**

At December 31, 2016, the carrying amount of all City deposits was \$10,380,482. Based on the criteria described in GASB Statement No. 40, “*Deposits and Investment Risk Disclosures*”, as of December 31, 2016, \$9,774,330 of the City’s bank balance of \$10,530,387 was exposed to custodial risk as discussed below, while \$756,057 was covered by the FDIC.

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

**D. Investments**

The City had no investments at December 31, 2016.

**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2016:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 10,380,482
Cash in segregated accounts	30,108
Cash on hand	<u>507</u>
Total	<u>\$ 10,411,097</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 4,657,174
Business-type activities	5,431,047
Private-purpose trust fund	225,611
Agency funds	<u>97,265</u>
Total	<u>\$ 10,411,097</u>

**NOTE 5 - INTERFUND ACTIVITY**

- A. Due from/to other funds consisted of the following at December 31, 2016, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 1,264

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

- B. Due from external parties at December 31, 2016, consisted of the following as reported on the fund statements:

	<u>Agency</u>
General fund	\$ 13,423
Fire fund	6,645
Safety, security and law enforcement	<u>6,645</u>
	<u>\$ 26,713</u>

- C. Transfers consisted of the following at December 31, 2016, as reported on the fund financial statements:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
Water fund	Sewer fund	\$ 80,000

Transfers are used to move revenues from the fund collect them to the fund that expend them.

Transfers between enterprise funds are eliminated for reporting on the statement of activities.

**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 6 - PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2016 public utility property taxes became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Coshocton. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2016 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow since the current taxes were not levied to finance 2016 operations and the collection of delinquent taxes has been offset by a deferred inflow since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is a deferred inflow.

The full tax rate for all City operations for the year ended December 31, 2016 was \$5.20 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2016 property tax receipts were based are as follows:

Real property tax	\$ 166,301,710
Public utility tangible personal property	<u>9,002,070</u>
Total assessed value	<u><u>\$ 175,303,780</u></u>

**NOTE 7 - RECEIVABLES**

Receivables at December 31, 2016, consisted of taxes, accounts (billings for user charged services), accrued interest, special assessments and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as “due from other governments” on the basic financial statements. Receivables have been recorded to the extent that they are measurable at December 31, 2016.

**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 7 - RECEIVABLES - (Continued)**

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

**Governmental activities:**

Income taxes	\$ 1,572,867
Real and other local taxes	898,320
Accounts	77,353
Accrued interest	36
Special assessments	975
Due from other governments	478,270

**Business-type activities:**

Accounts	893,690
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Receivables have been disaggregated on the face of the BFS. The only receivables not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessment. The amount of delinquent special assessments at December 31, 2016 was \$975.

**NOTE 8 - MUNICIPAL INCOME TAXES**

The City levies a municipal income tax of two percent on all net profits and all salaries, wages commissions and other compensation earned within the City as well as on incomes of residents earned outside of the City. In the latter case, the City allows a credit of 50 percent of the tax paid to another municipality to a maximum of the total amount assessed.

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

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

**NOTE 9 - LODGING TAX**

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

**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 10 - CAPITAL ASSETS**

A. Governmental activities capital asset activity for the year ended December 31, 2016, was as follows:

<b><u>Governmental activities:</u></b>	<u>Balance</u>			<u>Balance</u>
	<u>12/31/15</u>	<u>Additions</u>	<u>Deductions</u>	<u>12/31/16</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,059,518	\$ -	\$ -	\$ 1,059,518
Construction in progress	<u>1,701,952</u>	<u>224,020</u>	<u>(1,863,279)</u>	<u>62,693</u>
Total capital assets, not being depreciated	<u>2,761,470</u>	<u>224,020</u>	<u>(1,863,279)</u>	<u>1,122,211</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	112,738	-	-	112,738
Buildings and improvements	3,211,979	-	-	3,211,979
Furniture and equipment	1,424,136	53,651	-	1,477,787
Vehicles	3,183,440	270,826	(62,656)	3,391,610
Infrastructure	<u>9,100,095</u>	<u>2,401,944</u>	<u>-</u>	<u>11,502,039</u>
Total capital assets, being depreciated	<u>17,032,388</u>	<u>2,726,421</u>	<u>(62,656)</u>	<u>19,696,153</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(42,654)	(6,009)	-	(48,663)
Buildings and improvements	(1,864,303)	(82,734)	-	(1,947,037)
Furniture and equipment	(914,004)	(60,708)	-	(974,712)
Vehicles	(2,155,930)	(497,712)	59,050	(2,594,592)
Infrastructure	<u>(7,139,877)</u>	<u>(321,466)</u>	<u>-</u>	<u>(7,461,343)</u>
Total accumulated depreciation	<u>(12,116,768)</u>	<u>(968,629)</u>	<u>59,050</u>	<u>(13,026,347)</u>
Total capital assets, being depreciated, net	<u>4,915,620</u>	<u>1,757,792</u>	<u>(3,606)</u>	<u>6,669,806</u>
Governmental activities capital assets, net	<u>\$ 7,677,090</u>	<u>\$ 1,981,812</u>	<u>\$ (1,866,885)</u>	<u>\$ 7,792,017</u>

Depreciation expense was charged to governmental activities as follows:

<b><u>Governmental activities:</u></b>	
General government	\$ 31,516
Security of persons and property	251,187
Public health and welfare	9,242
Transportation	602,869
Leisure time activity	<u>73,815</u>
Total depreciation expense	<u>\$ 968,629</u>

**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 10 - CAPITAL ASSETS - (Continued)**

**B.** Business-type activities capital asset activity for the year ended December 31, 2016, was as follows:

<b><u>Business-type activities:</u></b>	<u>Balance</u> <u>12/31/15</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/16</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 591,950	\$ -	\$ -	\$ 591,950
Construction in progress	<u>-</u>	<u>7,156</u>	<u>-</u>	<u>7,156</u>
Total capital assets, not being depreciated	<u>591,950</u>	<u>7,156</u>	<u>-</u>	<u>599,106</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	63,177	-	-	63,177
Buildings and improvements	10,290,847	-	-	10,290,847
Furniture and equipment	9,359,269	32,657	-	9,391,926
Vehicles	1,003,499	18,023	-	1,021,522
Infrastructure	<u>22,598,962</u>	<u>-</u>	<u>-</u>	<u>22,598,962</u>
Total capital assets, being depreciated	<u>43,315,754</u>	<u>50,680</u>	<u>-</u>	<u>43,366,434</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(56,650)	(1,633)	-	(58,283)
Buildings and improvements	(4,919,101)	(243,807)	-	(5,162,908)
Furniture and equipment	(4,717,985)	(295,051)	-	(5,013,036)
Vehicles	(503,452)	(86,078)	-	(589,530)
Infrastructure	<u>(13,398,225)</u>	<u>(628,943)</u>	<u>-</u>	<u>(14,027,168)</u>
Total accumulated depreciation	<u>(23,595,413)</u>	<u>(1,255,512)</u>	<u>-</u>	<u>(24,850,925)</u>
Total capital assets, being depreciated, net	<u>19,720,341</u>	<u>(1,204,832)</u>	<u>-</u>	<u>18,515,509</u>
Business-type activities capital assets, net	<u>\$ 20,312,291</u>	<u>\$ (1,197,676)</u>	<u>\$ -</u>	<u>\$ 19,114,615</u>

Depreciation expense was charged to the enterprise funds as follows:

**Business-type activities:**

Water	\$ 824,433
Sewer	<u>431,079</u>
Total depreciation expense	<u>\$ 1,255,512</u>



**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 11 - OTHER EMPLOYEE BENEFITS - COMPENSATED ABSENCES**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn ten to thirty days of vacation per year, depending upon length of service. Earned, unused vacation time is paid upon termination of employment. Employees earn sick leave at different rates depending upon length of service and type of employment. Sick leave accrual is continuous, without limit. Upon retirement or death, an employee can be paid a maximum of 960 hours, 720 hours or 480 hours of accumulated, unused sick leave depending on the policy or union agreement the employee is under. As of December 31, 2016, the liability for unpaid compensated absences was \$1,015,784 for the entire City, which is reported as a fund liability and/or on the government-wide financial statements as applicable.

**NOTE 12 - CAPITAL LEASE - LESSEE DISCLOSURE**

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

Capital assets consisting of furniture and equipment have been capitalized in the amount of \$13,218. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2016 was \$7,932, leaving a current book value of \$5,286. A corresponding liability was recorded in the government-wide financial statements. Principal and interest payments in 2016 totaled \$2,982 paid by the general fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2016.

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>
2017	\$ 2,982
2018	<u>2,485</u>
Total future minimum lease payments	5,467
Less: amount representing interest	<u>(246)</u>
Present value of net minimum lease payments	<u>\$ 5,221</u>

**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 13 - LONG-TERM OBLIGATIONS**

**A. Governmental Activities**

During 2016, the following changes occurred in long-term obligations for governmental activities.

	Balance	Additions	Reductions	Balance	Amounts
<u>Governmental activities:</u>	<u>12/31/15</u>	<u>12/31/16</u>	<u>12/31/16</u>	<u>12/31/16</u>	<u>Due in</u>
					<u>One Year</u>
ODOT loan payable	\$ 208,060	\$ -	\$ (18,130)	\$ 189,930	\$ 18,678
OPWC loan - CN19M - 0%	122,159	-	(24,432)	97,727	24,432
OPWC loan - CN18R - 0%	75,000	-	-	75,000	-
Capital lease	7,880	-	(2,659)	5,221	2,790
Net pension liability	4,560,414	1,600,388	-	6,160,802	-
Compensated absences	698,766	130,166	(126,136)	702,796	148,659
	<u>5,672,279</u>	<u>1,730,554</u>	<u>(171,357)</u>	<u>7,231,476</u>	<u>194,559</u>
Total governmental activities					
long-term obligations	<u>\$ 5,672,279</u>	<u>\$ 1,730,554</u>	<u>\$ (171,357)</u>	<u>\$ 7,231,476</u>	<u>\$ 194,559</u>

Loan payable

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

OPWC loan

Improvements to the City’s South Second Street were financed by an Ohio Public Works Commission (OPWC) loan. This loan has a 0% interest rate and matures July 1, 2020. The loan is payable in semi-annual installments. During the 2016, principal payments were made from the 7 ½% state route fund and the motor vehicle license fund (both are nonmajor governmental funds).

During 2015, the City obtained an OPWC loan in order to finance the local share of a project conducted by Ohio Department of Transportation (ODOT). The loan has a 0% interest rate. As of December 31, 2016, the loan had not yet been finalized.

Capital lease

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

Net pension liability

See Note 15 for more information on net pension liability.

**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

Compensated absences

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

At December 31, 2016, the City's future annual principal payments were as follows. An amortization schedule was not available for OPWC loan CN18R as of the time of this report and is not included in the debt schedules below.

Year Ending <u>December 31,</u>	OPWC			State Infrastructure Bank Loan Payable		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 24,432	\$ -	\$ 24,432	\$ 18,678	\$ 5,559	\$ 24,237
2018	24,432	-	24,432	19,243	4,994	24,237
2019	24,432	-	24,432	19,825	4,413	24,238
2020	24,431	-	24,431	20,424	3,813	24,237
2021	-	-	-	21,041	3,196	24,237
2022 - 2025	-	-	-	90,719	6,230	96,949
Total	<u>\$ 97,727</u>	<u>\$ -</u>	<u>\$ 97,727</u>	<u>\$ 189,930</u>	<u>\$ 28,205</u>	<u>\$ 218,135</u>

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**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

**B. Business-Type Activities**

During 2016, the following changes occurred in long-term obligations for business-type activities.

<u><b>Business-type activities:</b></u>	Balance <u>12/31/15</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/16</u>	Amounts Due in <u>One Year</u>
<u>OWDA loans</u>					
OWDA loan - 3.5%	\$ 5,825,768	\$ -	\$ (467,961)	\$ 5,357,807	\$ 484,483
OWDA loan - 3.0%	<u>6,176,457</u>	<u>-</u>	<u>(181,192)</u>	<u>5,995,265</u>	<u>186,485</u>
Total OWDA loans	<u>12,002,225</u>	<u>-</u>	<u>(649,153)</u>	<u>11,353,072</u>	<u>670,968</u>
<u>OPWC loans</u>					
OPWC loan - 0%, CN090	191,250	-	(11,250)	180,000	11,250
OPWC loan - 0%, CN12F	7,289	-	(858)	6,431	858
OPWC loan - 0%, CN06B	22,408	-	(3,735)	18,673	3,735
OPWC loan - 0%, CN10K	32,297	-	(2,392)	29,905	2,392
OPWC loan - 0%, CN23N	19,264	-	(1,168)	18,096	1,168
OPWC loan - 0%, CN15N	<u>159,637</u>	<u>-</u>	<u>(9,675)</u>	<u>149,962</u>	<u>9,675</u>
Total OPWC loans	<u>432,145</u>	<u>-</u>	<u>(29,078)</u>	<u>403,067</u>	<u>29,078</u>
Sewer Notes	80,000	-	(80,000)	-	-
Refunding Bonds, Series 2012	1,615,000	-	(1,615,000)	-	-
Bond anticipation notes	<u>-</u>	<u>1,810,000</u>	<u>-</u>	<u>1,810,000</u>	<u>1,810,000</u>
Net pension liability	990,511	380,175	-	1,370,686	-
Compensated absences	<u>303,307</u>	<u>44,965</u>	<u>(35,284)</u>	<u>312,988</u>	<u>31,603</u>
Total business-type activities long-term obligations	<u>\$ 15,423,188</u>	<u>\$ 2,235,140</u>	<u>\$ (2,408,515)</u>	<u>\$ 15,249,813</u>	<u>\$ 2,541,649</u>

OWDA loans

In 2004, the City entered into a debt financing arrangement through the OWDA to fund water treatment plant improvements. The amounts due to the OWDA are payable solely from water fund revenues. The loan agreement functions similar to a line-of-credit agreement. At December 31, 2016, the City has outstanding borrowings of \$5,357,807. The City has pledged future water fund revenues, net of certain operating expenses, to repay this loan. The loan is payable solely from water fund net revenues. Annual principal and interest payments on the loan are expected to require 47.12 percent of water fund net revenues. The total estimated principal and interest remaining to be paid on the loan is \$6,344,133. Principal and interest paid for the current year was \$624,120 and total net revenues were \$1,324,573.

**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

In 2006, the City entered into a debt financing arrangement through the OWDA to fund ethanol plant improvements. The amounts due to the OWDA are payable solely from sewer fund revenues. The loan agreement functions similar to a line-of-credit agreement. At December 31, 2016, the City has outstanding borrowings of \$5,995,265. The City has pledged future sewer fund revenues, net of certain operating expenses, to repay this loan. The loan is payable solely from sewer fund net revenues. Annual principal and interest payments on the loan are expected to require 69.74 percent of sewer fund net revenues. The total estimated principal and interest remaining to be paid on the loan is \$8,257,124. Principal and interest paid for the current year was \$359,005 and total net revenues were \$514,780.

OPWC loans

In 2012, the City entered into a debt financing arrangement through OPWC to fund waterline replacements. The amounts due to the OPWC are payable solely from water fund revenues. The loan is interest free. At December 31, 2016, the City has outstanding borrowings of \$180,000. Principal payments for 2016 amounted to \$11,250.

In 2015, the City entered into a transfer agreement with Coshocton County to acquire water and sewer lines as well as the related debt. The total balance of OPWC loans assumed from the County was \$240,895. The amounts due to OPWC are payable from water and sewer revenues. The loans are interest free. At December 31, 2016, the City has outstanding borrowings of \$223,067. Principal payments for 2016 amounted to \$17,828.

Refunding bonds and sewer note

During 2015, the City entered into an agreement with Coshocton County to acquire water and sewer lines as well as the related debt. Of the debt assumed, the refunding bonds and sewer notes were considered due within one year per the transfer agreement. During 2016, the refunding bonds and sewer note were repaid with the proceeds of bond anticipation notes.

Bond anticipation notes

On February 23, 2016, the City issued \$1,810,000 in bond anticipation notes bearing a 2.20% interest rate. This note matures on February 23, 2017. Payments of principal and interest are paid from the City's water fund.

Compensated absences

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

**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

Principal and interest requirements to retire the City's OPWC and OWDA loans outstanding at December 31, 2016 are as follows.

Year Ending December 31,	OWDA			OPWC		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 670,968	\$ 355,841	\$ 1,026,809	\$ 29,078	\$ -	\$ 29,078
2018	693,520	333,289	1,026,809	29,078	-	29,078
2019	716,836	309,973	1,026,809	29,078	-	29,078
2020	740,941	285,868	1,026,809	29,078	-	29,078
2021	765,861	260,948	1,026,809	29,076	-	29,076
2022 - 2026	3,899,763	900,379	4,800,142	124,566	-	124,566
2027 - 2031	1,318,327	476,700	1,795,027	116,450	-	116,450
2032 - 2036	1,522,452	272,575	1,795,027	16,663	-	16,663
2037 - 2039	1,024,404	52,612	1,077,016	-	-	-
Total	<u>\$ 11,353,072</u>	<u>\$ 3,248,185</u>	<u>\$ 14,601,257</u>	<u>\$ 403,067</u>	<u>\$ -</u>	<u>\$ 403,067</u>

**C. Legal Debt Margin**

As of December 31, 2016, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$18,406,897.

**NOTE 14 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During 2016, the City contracted for various types of insurance as follows:

<u>Company</u>	<u>Type</u>	<u>Coverage</u>
Rinehart, Walters, Danner & Associates	Public Officials Liability (each wrongful act)	\$ 5,000,000
	General Liability (per occurrence)	7,000,000
	Comprehensive Crime	10,000
	Commercial Inland Marine	1,775,526
	Electronic Equipment	168,006
	Employers Liability (Ohio Stop Gap)	5,000,000
	Employee Benefits (each incident)	5,000,000
	Property	68,579,853
	Automobile	5,000,000

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

**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 14 - RISK MANAGEMENT - (Continued)**

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

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

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

The City’s policy for reporting a claims liability is based on the requirements GASB Statement No. 10, “*Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*”, as amended by GASB Statement No. 30, “*Risk Financing Omnibus*”, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims. As of December 31, 2016, there were \$168,151 in outstanding claims pending that are reported in the internal service fund at December 31, 2016.

<u>Year Ended</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2016	\$ 120,889	\$ 1,222,977	\$ (1,175,715)	\$ 168,151
2015	306,537	731,652	(917,300)	120,889

## CITY OF COSHOCTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

#### NOTE 15 - DEFINED BENEFIT PENSION PLANS

##### *Net Pension Liability/Asset*

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

The net pension liability/asset 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/asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

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

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

##### *Plan Description – Ohio Public Employees Retirement System (OPERS)*

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



**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

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.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service.

**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3% COLA adjustment on the defined benefit portion of their benefit.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

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

	State and Local
<b>2016 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
 <b>2016 Actual Contribution Rates</b>	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0 %
Total Employer	14.0 %
 Employee	 10.0 %

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

The City's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$386,380 for 2016. Of this amount, \$53,303 is reported as due to other governments.

## CITY OF COSHOCTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

#### NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

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

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.

**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

	<u>Firefighters</u>
<b>2016 Statutory Maximum Contribution Rates</b>	
Employer	24.00 %
Employee	12.25 %
 <b>2016 Actual Contribution Rates</b>	
Employer:	
Pension	23.50 %
Post-employment Health Care Benefits	0.50 %
 Total Employer	 24.00 %
 Employee	 12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$230,679 for 2016. Of this amount \$33,232 is reported as due to other governments.

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

The net pension liability and net pension asset for the OPERS Traditional Pension Plan and Combined Plan and Member-Directed Plan, respectively, were measured as of December 31, 2015, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. The City's proportion of the net pension liability or asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.023854%	0.0516149%	
Proportion of the net pension liability current measurement date	<u>0.024813%</u>	<u>0.0502650%</u>	
Change in proportionate share	<u>0.000959%</u>	<u>-0.0013499%</u>	
Proportion of the net pension asset current measurement date	<u>0.020729%</u>		
Change in proportionate share	<u>0.020729%</u>		
Proportionate share of the net pension liability	\$ 4,297,924	\$ 3,233,564	\$ 7,531,488
Proportionate share of the net pension asset	79	-	79
Pension expense	653,354	413,095	1,066,449

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 548	\$ -	\$ 548
Net difference between projected and actual earnings on pension plan investments	1,263,448	526,303	1,789,751
Changes in employer's proportionate percentage/ difference between employer contributions	78,518	-	78,518
City contributions subsequent to the measurement date	<u>386,380</u>	<u>230,679</u>	<u>617,059</u>
Total deferred outflows of resources	<u>\$ 1,728,894</u>	<u>\$ 756,982</u>	<u>\$ 2,485,876</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ 83,044	\$ 9,080	\$ 92,124
Changes in employer's proportionate percentage/ difference between employer contributions	<u>-</u>	<u>127,211</u>	<u>127,211</u>
Total deferred inflows of resources	<u>\$ 83,044</u>	<u>\$ 136,291</u>	<u>\$ 219,335</u>

\$617,059 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2017.

**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
2017	\$ 313,666	\$ 107,958	\$ 421,624
2018	331,998	107,958	439,956
2019	327,543	107,959	435,502
2020	285,985	90,263	376,248
2021	68	(20,269)	(20,201)
Thereafter	210	(3,857)	(3,647)
<b>Total</b>	<u><u>\$ 1,259,470</u></u>	<u><u>\$ 390,012</u></u>	<u><u>\$ 1,649,482</u></u>

***Actuarial Assumptions - OPERS***

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability/asset in the December 31, 2015, 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	Pre 1/7/2013 retirees: 3 percent, simple Post 1/7/2013 retirees: 3 percent, simple through 2018, then 2.80% 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.

**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 401 (h) Health Care Trust 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 0.40 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed income	23.00 %	2.31 %
Domestic equities	20.70	5.84
Real estate	10.00	4.25
Private equity	10.00	9.25
International equities	18.30	7.40
Other investments	18.00	4.59
Total	<u>100.00 %</u>	<u>5.27 %</u>

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

**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 6,847,644	\$ 4,297,924	\$ 2,147,317
Member-Directed Plan	207	(79)	(207)

***Changes Between Measurement Date and Report Date*** - In October 2016, the OPERS Board of Trustees adopted certain assumption changes which impacted their annual actuarial valuation prepared as of December 31, 2016. The most significant changes are a reduction in the expected investment return to 7.50% from 8.00%, the expected long-term average wage inflation was reduced to 3.25% from 3.75%, the expected long-term average price inflation was reduced to 2.50% from 3.00% and a change to various demographic assumptions. Although the exact amount of these changes is not known, the impact to the City's net pension liability is expected to be significant.

***Actuarial Assumptions – OP&F***

OP&F's total pension liability as of December 31, 2015 is based on the results of an actuarial valuation date of January 1, 2015, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2015, are presented below:

Valuation date	January 1, 2015
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 and 3.00 percent simple

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.



**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

The most recent experience study was completed for the five-year period ended December 31, 2011. The recommended assumption changes based on this experience study were adopted by OP&F's Board and were effective beginning with the January 1, 2012 actuarial valuation.

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 expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2015 are summarized below:

Asset Class	Target Allocation	10 Year Expected Real Rate of Return **	30 Year Expected Real Rate of Return **
Cash and Cash Equivalents	- %		
Domestic Equity	16.00	6.50 %	7.80 %
Non-US Equity	16.00	6.70	8.00
Core Fixed Income *	20.00	3.50	5.35
Global Inflation			
Protected Securities *	20.00	3.50	4.73
High Yield	15.00	6.35	7.21
Real Estate	12.00	5.80	7.43
Private Markets	8.00	9.50	10.73
Timber	5.00	6.55	7.35
Master Limited Partnerships	8.00	9.65	10.75
<b>Total</b>	<b>120.00 %</b>		

\* levered 2x

\*\* numbers include inflation

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

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

**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$ 4,264,662	\$ 3,233,564	\$ 2,360,157

**NOTE 16 - POSTRETIREMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement System**

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension Plan and the Combined Plan. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have twenty years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. In March 2016, OPERS received two favorable rulings from the Internal Revenue Service allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2016, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2016 was 2.00%. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0% for both plans.

## CITY OF COSHOCTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

#### NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2016, 2015, and 2014 were \$67,448, \$64,035, and \$58,517, respectively; 88.25% has been contributed for 2016 and 100% has been contributed for 2015 and 2014. The remaining 2016 post-employment health care benefits liability has been reported as due to other governments.

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

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

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

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. The 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 is codified in Chapter 742 of the Ohio Revised Code.

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

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 24.00% of covered payroll for fire employers. The Ohio Revised Code states that the employer contribution may not exceed 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

## CITY OF COSHOCTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

#### NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was .5% of covered payroll from January 1, 2016 thru December 31, 2016. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for firefighters for the years ended December 31, 2016, 2015 and 2014 were \$4,908, \$3,609 and \$4,456 respectively; 85.89% has been contributed for 2016 and 100% has been contributed for 2015 and 2014. The remaining 2016 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

#### NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

**Net Change in Fund Balance**

	<u>General fund</u>	<u>Fire fund</u>	<u>Street fund</u>	<u>Safety, Security &amp; Law Enforcement</u>
Budget basis	\$ 886,648	\$ 100,006	\$ (32,782)	\$ 112,615
Net adjustment for revenue accruals	(28,146)	(15,001)	(39,551)	65,904
Net adjustment for expenditure accruals	(66,715)	(3,820)	28,424	-
Funds budgeted elsewhere	(3,667)	-	-	-
Adjustment for encumbrances	<u>7,651</u>	<u>-</u>	<u>14,618</u>	<u>-</u>
GAAP basis	<u>\$ 795,771</u>	<u>\$ 81,185</u>	<u>\$ (29,291)</u>	<u>\$ 178,519</u>

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

**NOTE 18 - CONTINGENCIES**

**A. Grants**

The City receives significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2016.

**B. Litigation**

The City is not a party to legal proceedings that would have a material effect on the financial condition of the City.

**NOTE 19 - OTHER COMMITMENTS**

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 7,022
Street fund	10,055
Nonmajor governmental funds	<u>58,006</u>
Total	<u>\$ 75,083</u>

**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 20 - FUND BALANCE**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund balance	General	Fire Fund	Street Fund	Safety, Security & Law Enforcement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Materials and supplies inventory	\$ 1,412	\$ -	\$ 94,155	\$ -	\$ -	\$ 95,567
Perpetual care	-	-	-	-	250,000	250,000
Unclaimed monies	<u>777</u>	-	-	-	-	<u>777</u>
Total nonspendable	<u>2,189</u>	<u>-</u>	<u>94,155</u>	<u>-</u>	<u>250,000</u>	<u>346,344</u>
Restricted:						
Capital projects	-	-	-	-	994,816	994,816
Perpetual care	-	-	-	-	179,390	179,390
Transportation projects	-	-	184,184	-	153,850	338,034
Public safety programs	-	391,695	-	290,783	165	682,643
Public health and welfare programs	-	-	-	-	424,373	424,373
Other purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>244,563</u>	<u>244,563</u>
Total restricted	<u>-</u>	<u>391,695</u>	<u>184,184</u>	<u>290,783</u>	<u>1,997,157</u>	<u>2,863,819</u>
Committed:						
Capital projects	-	-	-	-	298,112	298,112
Other purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>212,908</u>	<u>212,908</u>
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>511,020</u>	<u>511,020</u>
Assigned:						
Other purposes	5,029	-	-	-	-	5,029
Public health and welfare programs	<u>1,993</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,993</u>
Total assigned	<u>7,022</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,022</u>
Unassigned	<u>1,226,142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,656)</u>	<u>1,224,486</u>
Total fund balances	<u>\$ 1,235,353</u>	<u>\$ 391,695</u>	<u>\$ 278,339</u>	<u>\$ 290,783</u>	<u>\$ 2,756,521</u>	<u>\$ 4,952,691</u>

**CITY OF COSHOCTON, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE 21 - TAX ABATEMENTS**

**Enterprise Zone**

Enterprise zones are designated areas of land in which businesses can receive tax incentives in the form of tax exemptions on eligible new investment. The Enterprise Zone Program provides tax exemptions for a portion of the value of new real property when the investment is made in conjunction with a project that includes job creation.

The Enterprise Zone law permits municipalities to grant exemption of real property assessed values up to 75% and up to 10 years on new investments in building and improvements to existing land and buildings for a specific project. The exemptions may be increased up to 100% with approval of the affected Board of Education.

The Enterprise Zone Program provides tax exemptions for a portion of the value of new real property when the investment is made in conjunction with a project that includes job creation.

The City of Coshocton had an Enterprise Zone Agreement with Kraft Foods Group, Inc. dated October 6, 2014. The agreement will provide a 75% real property exemption for a period of 10 years. The total value of real property subject to exemption for 2016 was \$275,770. The total value of taxes abated for 2016 for this parcel was \$1,428.

**Income Tax Credits**

The City, by Ordinance, may grant a refundable or nonrefundable credit against its tax on income to a taxpayer to foster job creation and/or for the purpose of fostering job retention in the City of Coshocton. For new job creation, if a credit is granted, it shall be measured as a percentage of the new income tax revenue the City derives from new employees of the taxpayer and shall be for a term not exceeding fifteen years. For job retention, if a credit is granted, it shall be measured as a percentage of the income tax revenue the City derives from the retained employees of the taxpayer and shall be for a term not exceeding fifteen years. Before the City passes an Ordinance granting a credit and/or allowing such a credit, the City and the taxpayer shall enter into an agreement specifying all the conditions of the credit.

The City of Coshocton had one Job Creation Grant Agreement with Kraft Foods Group, Inc. dated August 18, 2014. The grant is based upon the creation of new payroll and the retention of existing jobs. The grant will be awarded in an amount equal to .75% of new income subject to income tax and will last a period of 10 years. The total grant for 2016 was \$30,164.

**NOTE 22 - SUBSEQUENT EVENT**

On February 22, 2017, the City issued a \$1,665,000 bond anticipation note to retire a portion of the \$1,810,000 bond anticipation note issued on February 23, 2016. This note bears an interest rate of 1.50% and matures on February 22, 2018.

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF COSHOCTON, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE YEARS  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Traditional Plan:</i>			
City's proportion of the net pension liability	0.024813%	0.023854%	0.023854%
City's proportionate share of the net pension liability	\$ 4,297,924	\$ 2,877,058	\$ 2,812,077
City's covered-employee payroll	\$ 3,201,725	\$ 2,983,700	\$ 2,864,677
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	134.24%	96.43%	98.16%
Plan fiduciary net position as a percentage of the total pension liability	81.08%	86.45%	86.36%
 <i>Member Directed Plan:</i>			
City's proportion of the net pension asset	0.020729%	n/a	n/a
City's proportionate share of the net pension asset	\$ 79	n/a	n/a
City's covered-employee payroll	\$ 138,530	n/a	n/a
City's proportionate share of the net pension asset as a percentage of its covered-employee payroll	0.05%	n/a	n/a
Plan fiduciary net position as a percentage of the total pension asset	103.91%	n/a	n/a

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF COSHOCTON, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE YEARS  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	0.05026500%	0.05161490%	0.05161490%
City's proportionate share of the net pension liability	\$ 3,233,564	\$ 2,673,867	\$ 2,513,808
City's covered-employee payroll	\$ 721,766	\$ 698,711	\$ 903,238
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	448.01%	382.69%	278.31%
Plan fiduciary net position as a percentage of the total pension liability	66.77%	72.20%	73.00%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF COSHOCTON, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 376,441	\$ 384,207	\$ 358,044	\$ 372,408
Contributions in relation to the contractually required contribution	<u>(376,441)</u>	<u>(384,207)</u>	<u>(358,044)</u>	<u>(372,408)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 3,137,008	\$ 3,201,725	\$ 2,983,700	\$ 2,864,677
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	12.00%	13.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	12.00%	13.00%
<i>Member Directed Plan:</i>				
Contractually required contribution	\$ 9,939	\$ 13,853		
Contributions in relation to the contractually required contribution	<u>(9,939)</u>	<u>(13,853)</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>		
City's covered-employee payroll	\$ 99,390	\$ 138,530		
Contributions as a percentage of covered-employee payroll	10.00%	10.00%		

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 269,309	\$ 260,997	\$ 171,785	\$ 221,943	\$ 164,443	\$ 227,900
<u>(269,309)</u>	<u>(260,997)</u>	<u>(171,785)</u>	<u>(221,943)</u>	<u>(164,443)</u>	<u>(227,900)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,693,090	\$ 2,609,970	\$ 1,926,561	\$ 2,731,606	\$ 2,349,186	\$ 2,729,341
10.00%	10.00%	8.92%	8.13%	7.00%	8.35%
\$ 1,622	\$ 1,398	\$ 7,650	\$ -	\$ -	\$ -
<u>(1,622)</u>	<u>(1,398)</u>	<u>(7,650)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 20,403	\$ 17,585	\$ 78,975	\$ -	\$ -	\$ -
7.95%	7.95%	9.69%	8.13%	7.00%	8.35%

**CITY OF COSHOCTON, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>Fire:</i>				
Contractually required contribution	\$ 230,679	\$ 169,615	\$ 164,197	\$ 184,080
Contributions in relation to the contractually required contribution	<u>(230,679)</u>	<u>(169,615)</u>	<u>(164,197)</u>	<u>(184,080)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 981,613	\$ 721,766	\$ 698,711	\$ 903,238
Contributions as a percentage of covered-employee payroll	23.50%	23.50%	23.50%	20.38%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 143,984	\$ 146,346	\$ 153,710	\$ 144,696	\$ 137,375	\$ 145,792
<u>(143,984)</u>	<u>(146,346)</u>	<u>(153,710)</u>	<u>(144,696)</u>	<u>(137,375)</u>	<u>(145,792)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 834,690	\$ 848,383	\$ 891,072	\$ 838,817	\$ 796,377	\$ 845,171
17.25%	17.25%	17.25%	17.25%	17.25%	17.25%

**CITY OF COSHOCTON, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)

*OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for 2014-2016.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for 2014-2016.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.





# Dave Yost • Auditor of State

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

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

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Coshocton, Coshocton County, Ohio (the City), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 1, 2017.

### ***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a significant deficiency. We consider finding 2016-001 to be a significant deficiency.

***Compliance and Other Matters***

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

***City's Response to Findings***

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

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

November 1, 2017

**CITY OF COSHOCTON  
COSHOCTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2016-001**

**Significant Deficiency**

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

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

- Governmental Accounting Standard Board (GASB) Codification 2200.138 documented the requirements for reporting program revenue as either Operating Grants and Contributions or Capital Grants and Contributions. It documented that "some grants and contributions consist of capital assets or resources that are restricted for capital purposes — to purchase, construct, or renovate capital assets associated with a specific program. These should be reported separately from grants and contributions that may be used *either* for operating expenses or for capital expenditures of the program at the discretion of the reporting government." The City received \$418,875 in gasoline taxes and license taxes. These amounts can be used for the operations of the City's street department which would potentially include capital maintenance to roads. As the amount can be used for operating and capital purposes, GASB 2200.138 required the amount to be reported as Operating Grants and Contributions. This amount was incorrectly reported as Capital Grants and Contribution but should have been reported as Operating Grants and Contributions on the Statement of Activities;
- Street Fund Due from Other Governments and Deferred Inflows of Resources for Other Non exchange Transactions not Available were understated by \$34,812 as the City did not report receivables related to a Federal grant;
- Street Fund Materials and Supplies Inventory was understated by \$60,029 and Transportation expenditures were overstated by \$60,029. This occurred as an incomplete inventory listing was presented for GAAP financial reporting; and
- Budgetary expenditures in the Street Fund were incorrectly reported as follows:
  - Transportation expenditures were understated by \$12,119;
  - Principal Retirement was overstated by \$9,270; and
  - Interest and Fiscal Charges was overstated by \$2,849.

The financial statements have been adjusted accordingly for the above listed items.

We also noted various insignificant adjustments and reclassifications as follows:

- Agency Fund receivables related to the Joint Economic Development Districts (JEDDs) were understated by \$51,669;
- Various revenue classifications errors ranging from \$8,243 to \$19,958 were noted;
- Several understatements of liabilities were noted ranging from \$23,232 to \$77,740;
- Intergovernmental Revenue and Capital Outlay were overstated by \$85,511 in the Street Fund;
- Deferred Inflows and Outflows of Resources for Pension – OPERS (Ohio Public Employees Retirement System) were understated by amounts ranging from \$5,292 to \$53,349. Also, Deferred Inflows of Resources for Pension - OP&F (Ohio Police and Fire) were overstated by \$38,576;

CITY OF COSHOCTON  
COSHOCTON COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2016  
(Continued)

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

FINDING NUMBER 2016-001 (Continued)

Significant Deficiency (Continued)

- Various errors were identified with capital asset reporting including the following:
  - Vehicles and related depreciation were both overstated by \$234,729. The financial statement error was \$0 as the amounts net out; however, the difference was reported in the capital asset note disclosure;
  - Construction in Progress was understated by \$462,819, infrastructure capital assets were overstated by \$513,518 and related Accounts Payable were understated by \$34,812; and
  - Depreciation was understated by \$59,420.

Failure to properly report financial activity in accordance with generally accepted accounting principles could result in material misstatements occurring and remaining undetected and fail to provide management with an accurate picture of the City's financial position and operations.

We recommend the City take the necessary steps to ensure that all revenues, expenditures/ expenses, assets, deferred outflows of resources, liabilities, deferred inflows of resources and equity of the City are properly presented and disclosed in the City's financial statements.

**Officials' Response:** These weaknesses primarily referred to errors in the GAAP conversion and financial statements and not as a result of daily operations. The Auditor's office utilizes the services of Julian & Grube for the preparation of the conversion and financial statements. The City Auditor will reach out to the conversion team to make sure future statements are materially accurate and correct.

**CITY OF**  
ESTABLISHED 1811

760 CHESTNUT ST.  
COSHOCKTON,  
OHIO 43812



FLAG DESIGN  
ADOPTED 1970

Auditor/Treasurer

PHONE 740-622-1763  
FAX 740-622-8301

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Financial Reporting – Various reclassifications and adjustments were required to be made.	Not Corrected	<p>These weaknesses primarily referred to errors in the GAAP conversion and financial statements and not as a result of daily operations.</p> <p>The Auditor’s office utilizes the services of Julian &amp; Grube for the preparation of the conversion and financial statements. The City Auditor will reach out to the conversion team to make sure future statements are materially accurate and correct.</p>

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# Dave Yost • Auditor of State

CITY OF COSHOCTON

COSHOCTON COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
NOVEMBER 14, 2017