



Dave Yost • Auditor of State

**CITY OF ATHENS
ATHENS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Athens, Athens County, Ohio (the City), as of and for the year ended December 31, 2014, 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, each major fund, and the aggregate remaining fund information of the City of Athens, Athens County, Ohio, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Street Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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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 *Required Supplementary Information – Modified Approach for Infrastructure Assets*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of 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.

Supplementary and Other Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Federal Award Expenditures (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2015, 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

August 20, 2015

City of Athens, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

The discussion and analysis of the City of Athens's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2014. The purpose of this discussion and analysis is to look at the City's financial performance and discuss pertinent points to better help the reader understand our performance.

Financial Highlights

1. The City's total net position increased \$2,414,943; net position of the governmental activities increased \$1,854,856; and net position of the business-type activities increased \$560,087.
2. The General Fund fund balance of \$2,480,689 increased \$447,083 or 21.98 percent from the previous year's balance of \$2,033,606.

Overview of the Financial Statements

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

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

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

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

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

The government-wide financial statements can be found starting on page 14 of this report.

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

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

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

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

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

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

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

Government-Wide Financial Analysis

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions.

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

City of Athens, Ohio
Management's Discussion and Analysis
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Table 1 provides a summary of the City's net position for 2014 compared to 2013:

Table 1
Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<u>Assets:</u>						
Current and Other Assets	\$11,362,999	\$11,216,398	\$6,711,449	\$5,768,495	\$18,074,448	\$16,984,893
Capital Assets, Net	<u>75,312,757</u>	<u>73,916,622</u>	<u>29,913,714</u>	<u>22,427,948</u>	<u>105,226,471</u>	<u>96,344,570</u>
<i>Total Assets</i>	<u>86,675,756</u>	<u>85,133,020</u>	<u>36,625,163</u>	<u>28,196,443</u>	<u>123,300,919</u>	<u>113,329,463</u>
<u>Liabilities:</u>						
Current and Other Liabilities	1,952,708	2,209,766	1,281,997	1,371,698	3,234,705	3,581,464
<i>Long-Term Liabilities:</i>						
Due Within One Year	1,243,957	1,215,050	461,838	449,861	1,705,795	1,664,911
Due in More Than One Year	<u>1,397,783</u>	<u>1,485,130</u>	<u>13,267,377</u>	<u>5,321,020</u>	<u>14,665,160</u>	<u>6,806,150</u>
<i>Total Liabilities</i>	<u>4,594,448</u>	<u>4,909,946</u>	<u>15,011,212</u>	<u>7,142,579</u>	<u>19,605,660</u>	<u>12,052,525</u>
<i>Total Deferred Inflows of Resources</i>	<u>826,016</u>	<u>822,638</u>	<u>0</u>	<u>0</u>	<u>826,016</u>	<u>822,638</u>
<u>Net Position:</u>						
Net Investments in Capital Assets	72,987,267	71,798,699	15,831,705	16,229,105	88,818,972	88,027,804
Restricted	6,354,783	5,931,962	0	0	6,354,783	5,931,962
Unrestricted	<u>1,913,242</u>	<u>1,669,775</u>	<u>5,782,246</u>	<u>4,824,759</u>	<u>7,695,488</u>	<u>6,494,534</u>
<i>Total Net Position</i>	<u>\$81,255,292</u>	<u>\$79,400,436</u>	<u>\$21,613,951</u>	<u>\$21,053,864</u>	<u>\$102,869,243</u>	<u>\$100,454,300</u>

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

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

Current and other liabilities decreased as the result of decreases in contracts payable and notes payable.

Long-term liabilities increased due to the issuance of OWDA loan.

City of Athens, Ohio
Management's Discussion and Analysis
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As noted earlier, the City's net position, when reviewed over time, may serve as a useful indicator of the City's financial position. By far, the largest portion of the City's net position 86.34 percent reflects its investments in capital assets (e.g., land, buildings, machinery and equipment, infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position represents resources that are subject to restrictions on how they can be used. These resources accounted for 6.18 percent of total net position. The remaining balance of \$7,695,488 or 7.48 percent which are unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors. The City's total net position increased from \$100,454,300 in 2013 to \$102,869,243 in 2014, a change of \$2,414,943 or 2.40 percent.

In order to further understand what makes up the changes in net position for the current year, Table 2 gives readers further details regarding the results of activities for 2014 compared to 2013:

Table 2
Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<u>Revenues:</u>						
<i>Program Revenues:</i>						
Charges for Services	\$3,936,813	\$4,130,236	\$8,544,912	\$8,327,217	\$12,481,725	\$12,457,453
Operating Grants and Contributions	1,039,906	1,459,173	0	0	1,039,906	1,459,173
Capital Grants and Contributions	853,431	2,618,081	0	0	853,431	2,618,081
<i>Total Program Revenues</i>	<u>5,830,150</u>	<u>8,207,490</u>	<u>8,544,912</u>	<u>8,327,217</u>	<u>14,375,062</u>	<u>16,534,707</u>
<u>General Revenues:</u>						
Property Taxes	760,856	799,890	0	0	760,856	799,890
Municipal Income Taxes	11,476,805	11,249,390	0	0	11,476,805	11,249,390
Lodging Taxes	352,754	329,020	0	0	352,754	329,020
Payment in Lieu of Taxes	514,145	498,962	0	0	514,145	498,962
Grants and Entitlements	633,515	1,131,400	0	0	633,515	1,131,400
Investment Earnings	69,448	98,416	43,902	50,137	113,350	148,553
Miscellaneous	668,022	653,028	138,106	124,573	806,128	777,601
<i>Total General Revenues</i>	<u>14,475,545</u>	<u>14,760,106</u>	<u>182,008</u>	<u>174,710</u>	<u>14,657,553</u>	<u>14,934,816</u>
<i>Total Revenue</i>	<u>20,305,695</u>	<u>22,967,596</u>	<u>8,726,920</u>	<u>8,501,927</u>	<u>29,032,615</u>	<u>31,469,523</u>

City of Athens, Ohio
Management's Discussion and Analysis
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Table 2 - (Continued)
Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<u>Expenses:</u>						
General Government	5,562,985	4,834,939	0	0	5,562,985	4,834,939
<i>Security of Persons and Property:</i>						
Police	3,716,964	3,776,822	0	0	3,716,964	3,776,822
Fire	3,292,907	3,012,100	0	0	3,292,907	3,012,100
Transportation	3,386,740	1,238,289	0	0	3,386,740	1,238,289
Community and Econ. Dev.	810,360	1,218,401	0	0	810,360	1,218,401
Leisure Time Activities	1,653,868	1,483,425	0	0	1,653,868	1,483,425
Interest and Fiscal Charges	27,015	32,429	0	0	27,015	32,429
Garbage	0	0	1,156,358	1,167,524	1,156,358	1,167,524
Parking Garage	0	0	237,023	235,746	237,023	235,746
Water	0	0	3,609,502	3,404,881	3,609,502	3,404,881
Sewer	0	0	3,163,950	3,232,665	3,163,950	3,232,665
<i>Total Expenses</i>	<u>18,450,839</u>	<u>15,596,405</u>	<u>8,166,833</u>	<u>8,040,816</u>	<u>26,617,672</u>	<u>23,637,221</u>
Increase (Decrease) in Net Position Before Transfers	1,854,856	7,371,191	560,087	461,111	2,414,943	7,832,302
Transfers	<u>0</u>	<u>(29,116)</u>	<u>0</u>	<u>29,116</u>	<u>0</u>	<u>0</u>
Change in Net Position	1,854,856	7,342,075	560,087	490,227	2,414,943	7,832,302
Net Position at Beginning of Year	<u>79,400,436</u>	<u>72,058,361</u>	<u>21,053,864</u>	<u>20,563,637</u>	<u>100,454,300</u>	<u>92,621,998</u>
<i>Net Position at End of Year</i>	<u>\$81,255,292</u>	<u>\$79,400,436</u>	<u>\$21,613,951</u>	<u>\$21,053,864</u>	<u>\$102,869,243</u>	<u>\$100,454,300</u>

Governmental Activities

The most significant program expenses for the City are General Government, Police, Transportation and Fire. These programs account for 86.50 percent of the total governmental activities. General Government, which accounts for 30.15 percent of the total, represents costs associated with the general administration of city government including the City Council, Mayor, City Auditor, and Municipal Court. Police, which accounts for 20.14 percent of the total, represents costs associated with the operation of the Police Department. Transportation, which accounts for 18.36 percent of the total, represents costs associated with maintaining and improving the City's streets and operating the bus transit system. Fire, which accounts for 17.85 percent of the total, represents costs associated with providing firefighting and emergency medical services.

City of Athens, Ohio
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Funding for the most significant programs indicated above is from charges for services and income taxes. The income tax revenue for 2014 was \$11,476,805. Of the \$20,305,695 in total revenues, income tax accounts for 56.52 percent of that total. Charges for services of \$3,936,813 accounts for 19.39 percent of total revenues. Operating and capital grants and contributions account for 9.32 percent of the total, and lodging taxes, payments in lieu of taxes, grants and entitlements, property taxes, interest, unrestricted contributions, and other revenue make up the remaining 14.77percent.

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

Business-Type Activities

The City's business-type activities include the City's water, sewer, garbage, and parking garage operations. Net position increased by \$560,087 or 2.66 percent for 2014.

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

Table 3
Net Cost of Governmental Activities

	Total Cost of Services		Net Costs of Services	
	2014	2013	2014	2013
General Government	\$5,562,985	\$4,834,939	\$2,293,266	\$1,360,458
<i>Security of Persons and Property:</i>				
Police	3,716,964	3,776,822	3,595,006	3,632,287
Fire	3,292,907	3,012,100	3,230,259	2,948,526
Transportation	3,386,740	1,238,289	2,002,356	(1,960,759)
Community and Econ. Development	810,360	1,218,401	602,729	757,969
Leisure Time Activities	1,653,868	1,483,425	870,058	618,005
Interest and Fiscal Charges	27,015	32,429	27,015	32,429
Total Expenses	<u>\$18,450,839</u>	<u>\$15,596,405</u>	<u>\$12,620,689</u>	<u>\$7,388,915</u>

It should be noted that 31.60 percent of the costs of services for governmental activities are derived from program revenues including charges for services, operating grants, capital grants, and other contributions.

As shown by the total net costs of \$12,620,689, the remainder of the City's programs are funded by general revenues. A significant portion of the total general revenues consists of income taxes, property taxes, and grants and entitlements.

City of Athens, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

Financial Analysis of the City's Funds

Governmental Funds

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

The General Fund is the chief operating fund of the City. At the end of 2014, the total fund balance for the General Fund was \$2,480,689, of which \$730,912 was unassigned. During the current year, the fund balance of the City's General Fund increased by \$447,083 or 21.98 percent. The increase in the General Fund balance is primarily due to an increase in income tax revenue and a decrease in expenditures during the year.

For the other major fund of the City, the Street Fund balance increased \$223,713 or 37.09 percent due to a decrease in expenditures during the year.

Proprietary Funds

The City's major proprietary funds are the Parking Garage, Water and Sewer funds. The City operates a parking garage with monthly and hourly spaces. Net position in the Parking Garage Fund increased \$49,949 or 2.45 percent, which is the result of an increase in revenues during 2014. The City provides water and sewer services to city residents. Net position in the Water Fund decreased by \$334,615 or 4.67 percent, which is the result of an increase in expenses during 2014. Net position in the Sewer Fund increased by \$657,086 or 6.07 percent, which is the result of an increase in revenues and a decrease in expenses during the year.

Major Fund Budgeting Highlights

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

For the General Fund, the final budgeted revenues were \$11,726,558 representing a change of \$137,144 or 1.18 percent from the original budgeted estimates.

For the General Fund, the final budget basis expenditures were \$13,736,373 representing a change of \$103,099 or 0.76 percent from the original budgeted estimates. There was a 10.04 percent positive variance in actual expenditures as compared to the final budget in the General Fund. This was due to the fact that the various departments kept their spending levels below their appropriations.

For the Street Fund, the final budgeted revenues were \$2,233,000 representing a change of \$82,700 or 3.85 percent from the original budgeted revenues.

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For the Street Fund, the final budget basis expenditures were \$3,591,988 representing a change of \$716,268 or 24.91 percent from the original budgeted estimates. There was a 6.20 percent positive variance in actual expenditures as compared to the final budget in the Street Fund. This was due to the fact that the department kept its spending levels below its appropriations.

Capital Assets and Debt Administration

The City's investment in capital assets for governmental and business-type activities as of December 31, 2014, amounts to \$88,818,972 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings, improvements, equipment and infrastructure.

Total capital assets for governmental activities of the City of Athens for the year 2014 were \$75,312,757.

The capital assets for business-type activities of \$29,913,714 as of December 31, 2014.

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

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

As of December 31, 2014, the City of Athens had \$14,934,088 in long-term bonds, notes, and loans outstanding with \$726,212 due within one year.

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

Long-term loans in the Water and Sewer funds are OWDA loans for improvements to water and sewer lines.

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

Current Known Facts and Conditions

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

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Unaudited

In May of 2013, Ohio University began phase one of a Housing Development Plan for East and South Greens which consists of construction off our new residence halls, a central learning commons and central office facility for Residential Housing. The project is budgeted at \$110 million and is to be completed in August of 2015. The construction of the Walter Fieldhouse (\$12.5 million) on the Ohio University Athens Campus was completed in June of 2014. The first phase of renovations of the old Baker Center for the College of Communications, estimated to cost about \$19 million, also began in 2013.

Citywide construction activity in 2014 resulted in the issuance of three new commercial construction permits for construction valued at \$5,402,000 and thirty-five permits for commercial renovations valued at \$3,274,500 and, 13 permits for new residential construction (thirteen single family and zero multi-family structure permits) valued at \$4,620,648 and forty permits for residential renovations worth \$1,342,027.

New businesses that have opened in Athens recently include Texas Roadhouse, JoAnne Fabrics, and CGI Group Inc., a leading provider of information technology and business process services.

Income tax receipts, the City's major source of revenue, have maintained a steady growth rate of about 2 percent per year. In 2012, the City contracted with Cleveland Collection Agency (CCA), which unlike Athens, has the authority to access federal income tax returns. CCA was able to identify, through the federal tax returns, individuals who declared income on their 2006 to 2010 federal returns that were potentially subject to city tax. Through this effort, the City was able to collect \$203,000 through CCA and \$85,000 on its own of unpaid back taxes. One hundred and seventy (170) new taxpayers were also identified. We have continued to work with CCA and the Law Director's office to make sure we are collecting all monies due to the City.

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

Contacting the City's Financial Management

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

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CITY OF ATHENS, OHIO
Statement of Net Position
December 31, 2014

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash & Cash Equivalents	\$8,807,494	\$5,737,711	\$14,545,205
Cash and Cash Equivalents in Segregated Accounts	70,117	0	70,117
Accrued Interest Receivable	1,969	0	1,969
Accounts Receivable	77,034	661,888	738,922
Intergovernmental Receivable	250,113	0	250,113
Income Taxes Receivable	946,758	0	946,758
Property Taxes Receivable	872,491	0	872,491
Other Local Taxes Receivable	84,712	0	84,712
Special Assessments Receivable	12,466	27,551	40,017
Materials and Supplies Inventory	146,373	247,953	394,326
Prepaid Items	93,472	36,346	129,818
<i>Restricted Assets:</i>			
Nondepreciable Capital Assets	52,689,979	12,332,478	65,022,457
Depreciable Capital Assets, Net	22,622,778	17,581,236	40,204,014
<i>Total Assets</i>	<u>86,675,756</u>	<u>36,625,163</u>	<u>123,300,919</u>
Liabilities:			
Accounts Payable	241,658	340,754	582,412
Contracts Payable	77,870	110,528	188,398
Accrued Wages Payable	437,684	106,952	544,636
Matured Compensated Absences Payable	9,853	0	9,853
Intergovernmental Payable	165,022	39,935	204,957
Accrued Interest Payable	7,237	33,828	41,065
Claims Payable	189,973	0	189,973
Notes Payable	823,411	650,000	1,473,411
<i>Long-Term Liabilities:</i>			
Due within One Year	1,243,957	461,838	1,705,795
Due in More Than One Year	1,397,783	13,267,377	14,665,160
<i>Total Liabilities</i>	<u>4,594,448</u>	<u>15,011,212</u>	<u>19,605,660</u>
Deferred Inflows of Resources	<u>826,016</u>	<u>0</u>	<u>826,016</u>
Net Position:			
Net Investments in Capital Assets	72,987,267	15,831,705	88,818,972
<i>Restricted for:</i>			
Street Maintenance	704,699	0	704,699
Debt Service	908,886	0	908,886
Capital Outlay	1,786,899	0	1,786,899
Other Purposes	2,954,299	0	2,954,299
Unrestricted	1,913,242	5,782,246	7,695,488
<i>Total Net Position</i>	<u>\$81,255,292</u>	<u>\$21,613,951</u>	<u>\$102,869,243</u>

See accompanying notes to the basic financial statements

CITY OF ATHENS, OHIO
Statement of Activities
For the Year Ended December 31, 2014

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$5,562,985	\$3,119,776	\$144,248	\$5,695
<i>Security of Persons and Property:</i>				
Police	3,716,964	28,251	93,707	0
Fire	3,292,907	0	62,648	0
Transportation	3,386,740	14,027	522,621	847,736
Community and Economic Development	810,360	0	207,631	0
Leisure Time Activities	1,653,868	774,759	9,051	0
Interest and Fiscal Charges	27,015	0	0	0
<i>Total Governmental Activities</i>	<u>18,450,839</u>	<u>3,936,813</u>	<u>1,039,906</u>	<u>853,431</u>
Business-Type Activities:				
Garbage	1,156,358	1,282,117	0	0
Parking Garage	237,023	236,436	0	0
Water	3,609,502	3,251,645	0	0
Sewer	3,163,950	3,774,714	0	0
<i>Total Business-Type Activities</i>	<u>8,166,833</u>	<u>8,544,912</u>	<u>0</u>	<u>0</u>
<i>Totals</i>	<u>\$26,617,672</u>	<u>\$12,481,725</u>	<u>\$1,039,906</u>	<u>\$853,431</u>

General Revenues:

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

Total General Revenues

Change in Net Position

Net Position at Beginning of Year

Net Position at End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(\$2,293,266)	\$0	(\$2,293,266)
(3,595,006)	0	(3,595,006)
(3,230,259)	0	(3,230,259)
(2,002,356)	0	(2,002,356)
(602,729)	0	(602,729)
(870,058)	0	(870,058)
(27,015)	0	(27,015)
<u>(12,620,689)</u>	<u>0</u>	<u>(12,620,689)</u>
0	125,759	125,759
0	(587)	(587)
0	(357,857)	(357,857)
0	610,764	610,764
<u>0</u>	<u>378,079</u>	<u>378,079</u>
<u>(12,620,689)</u>	<u>378,079</u>	<u>(12,242,610)</u>
760,856	0	760,856
9,884,441	0	9,884,441
695,023	0	695,023
897,341	0	897,341
352,754	0	352,754
514,145	0	514,145
633,515	0	633,515
69,448	43,902	113,350
668,022	138,106	806,128
<u>14,475,545</u>	<u>182,008</u>	<u>14,657,553</u>
1,854,856	560,087	2,414,943
<u>79,400,436</u>	<u>21,053,864</u>	<u>100,454,300</u>
<u>\$81,255,292</u>	<u>\$21,613,951</u>	<u>\$102,869,243</u>

CITY OF ATHENS, OHIO

Balance Sheet

Governmental Funds

December 31, 2014

	General	Street	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$2,271,347	\$552,714	\$5,592,135	\$8,416,196
Cash and Cash Equivalents in Segregated Account	56,481	0	13,636	70,117
Accrued Interest Receivable	1,969	0	0	1,969
Accounts Receivable	27,691	0	49,334	77,025
Intergovernmental Receivable	142,544	84,807	22,762	250,113
Income Taxes Receivable	560,481	143,907	242,370	946,758
Property Taxes Receivable	872,491	0	0	872,491
Other Local Taxes Receivable	59,298	0	25,414	84,712
Special Assessments Receivable	12,466	0	0	12,466
Materials and Supplies Inventory	25,283	121,090	0	146,373
Prepaid Items	61,970	4,539	22,423	88,932
<i>Total Assets</i>	<u>\$4,092,021</u>	<u>\$907,057</u>	<u>\$5,968,074</u>	<u>\$10,967,152</u>
Liabilities:				
Accounts Payable	\$101,106	\$7,895	\$131,765	\$240,766
Contracts Payable	0	7,110	54,260	61,370
Accrued Wages Payable	354,092	40,365	35,681	430,138
Matured Compensated Absences	861	8,404	588	9,853
Accrued Interest Payable	29	0	493	522
Intergovernmental Payable	120,725	16,450	19,971	157,146
Notes Payable	150,000	0	673,411	823,411
<i>Total Liabilities</i>	<u>726,813</u>	<u>80,224</u>	<u>916,169</u>	<u>1,723,206</u>
Deferred Inflows of Resources	<u>884,519</u>	<u>0</u>	<u>0</u>	<u>884,519</u>
Fund Balances:				
Nonspendable	91,610	125,629	165,454	382,693
Restricted	0	701,204	5,196,253	5,897,457
Assigned	1,658,167	0	0	1,658,167
Unassigned	730,912	0	(309,802)	421,110
<i>Total Fund Balances</i>	<u>2,480,689</u>	<u>826,833</u>	<u>5,051,905</u>	<u>8,359,427</u>
<i>Total Liabilities, Deferred Inflows and Fund Balances</i>	<u>\$4,092,021</u>	<u>\$907,057</u>	<u>\$5,968,074</u>	<u>\$10,967,152</u>

See accompanying notes to the basic financial statements

CITY OF ATHENS, OHIO
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2014*

Total Governmental Funds Balances		\$8,359,427
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		75,312,757
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Taxes		58,503
In the statement of activities, interest is accrued on outstanding debt, whereas in the governmental funds, an interest expenditure is reported when due.		(6,715)
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(905,000)	
Premium On Bonds	(21,949)	
Special Assessment Bonds	(430,130)	
Long-Term Energy Notes	(145,000)	
Compensated Absences Payable (less: Internal Service Fund amount)	(1,111,894)	
Total		(2,613,973)
Internal service funds are used by management to charge the costs of services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		145,293
		145,293
<i>Net Position of Governmental Activities</i>		\$81,255,292

See accompanying notes to the basic financial statements

CITY OF ATHENS, OHIO
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2014

	General	Street	All Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$807,959	\$0	\$0	\$807,959
Municipal Income Taxes	7,105,147	1,848,973	2,522,685	11,476,805
Other Local Taxes	209,273	0	143,481	352,754
Payments in Lieu of Taxes	0	0	514,145	514,145
Charges for Services	908,738	0	813,311	1,722,049
Licenses and Permits	623,531	0	107,849	731,380
Fines and Forfeitures	1,262,008	0	206,309	1,468,317
Intergovernmental	780,766	354,884	1,283,888	2,419,538
Special Assessments	1,040	0	14,027	15,067
Interest	17,792	4,723	42,961	65,476
Contributions and Donations	50,000	0	57,314	107,314
Other	248,813	107,392	311,817	668,022
<i>Total Revenues</i>	<u>12,015,067</u>	<u>2,315,972</u>	<u>6,017,787</u>	<u>20,348,826</u>
Expenditures:				
<i>Current:</i>				
General Government	4,232,339	0	798,380	5,030,719
Security of Persons and Property:				
Police	3,649,121	0	49,088	3,698,209
Fire	2,627,996	0	0	2,627,996
Transportation	492,023	2,521,449	602,946	3,616,418
Community and Economic Development	565,732	0	324,653	890,385
Leisure Time Services	0	0	1,630,222	1,630,222
Capital Outlay	0	0	2,234,088	2,234,088
<i>Debt Service:</i>				
Principal Retirement	0	0	630,000	630,000
Interest and Fiscal Charges	773	940	32,851	34,564
<i>Total Expenditures</i>	<u>11,567,984</u>	<u>2,522,389</u>	<u>6,302,228</u>	<u>20,392,601</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>447,083</u>	<u>(206,417)</u>	<u>(284,441)</u>	<u>(43,775)</u>
Other Financing Sources (Uses):				
Transfers In	0	0	261,995	261,995
Transfers Out	0	0	(261,995)	(261,995)
Bonds Issued	0	430,130	0	430,130
Notes Issued	0	0	145,000	145,000
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>430,130</u>	<u>145,000</u>	<u>575,130</u>
<i>Net Change in Fund Balances</i>	447,083	223,713	(139,441)	531,355
<i>Fund Balances at Beginning of Year</i>	<u>2,033,606</u>	<u>603,120</u>	<u>5,191,346</u>	<u>7,828,072</u>
<i>Fund Balances at End of Year</i>	<u>\$2,480,689</u>	<u>\$826,833</u>	<u>\$5,051,905</u>	<u>\$8,359,427</u>

See accompanying notes to the basic financial statements

CITY OF ATHENS, OHIO
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2014*

Net Change in Fund Balances - Total Governmental Funds \$531,355

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital Asset Additions	2,976,324	
Current Year Depreciation	(1,225,772)	
Total		1,750,552

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (354,417)

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

Property Taxes (47,103)

Repayment of principal (e.g. bonds, notes, leases) is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 630,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (3,425)

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

Compensated Absences Payable	(3,781)	
Premium on Bonds	10,974	
Total		7,193

Other financing sources in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues in the statement of activities:

Bonds Issued	(430,130)	
Notes Issued	(145,000)	
Total		(575,130)

Internal service funds used by management to charges cost of services to individual funds are not reported in the government-wide statement of activities.

Governmental expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the activities. (84,169)

Change in Net Position of Governmental Activities \$1,854,856

See accompanying notes to the basic financial statements

CITY OF ATHENS, OHIO
*Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 General Fund
 For the Year Ended December 31, 2014*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$800,630	\$807,991	\$807,959	(\$32)
Municipal Income Taxes	6,861,142	6,861,142	7,025,476	164,334
Other Local Taxes	163,300	174,841	174,841	0
Charges for Services	930,280	909,740	908,838	(902)
Licenses and Permits	623,450	624,850	625,335	485
Fines and Forfeitures	1,322,550	1,278,600	1,265,147	(13,453)
Intergovernmental	722,150	685,768	710,695	24,927
Special Assessments	1,000	1,050	1,040	(10)
Interest	28,400	18,750	17,989	(761)
Contributions and Donations	50,800	50,800	50,000	(800)
Other	85,712	313,026	247,361	(65,665)
<i>Total Revenues</i>	11,589,414	11,726,558	11,834,681	108,123
Expenditures:				
<i>Current:</i>				
General Government	5,374,407	5,524,559	4,639,218	885,341
<i>Security of Persons and Property:</i>				
Police	3,864,056	3,935,774	3,720,676	215,098
Fire	2,951,288	2,834,542	2,691,968	142,574
Transportation	563,367	554,935	509,089	45,846
Community and Economic Development	654,368	660,775	570,433	90,342
<i>Debt Service:</i>				
Principal Retirements	225,000	225,000	225,000	0
Interest and Fiscal Charges	788	788	785	3
<i>Total Expenditures</i>	13,633,274	13,736,373	12,357,169	1,379,204
<i>Excess of Revenues Over (Under) Expenditures</i>	(2,043,860)	(2,009,815)	(522,488)	1,487,327
Other Financing Sources (Uses):				
Notes Issued	225,000	150,000	150,000	0
<i>Total Other Financing Sources (Uses)</i>	225,000	150,000	150,000	0
<i>Net Change in Fund Balance</i>	(1,818,860)	(1,859,815)	(372,488)	1,487,327
Fund Balances at Beginning of Year	1,709,704	1,709,704	1,709,704	0
Prior Year Encumbrances Appropriated	442,373	442,373	442,373	0
Fund Balances at End of Year	\$333,217	\$292,262	\$1,779,589	\$1,487,327

See accompanying notes to the basic financial statements

CITY OF ATHENS, OHIO
*Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Budget Basis)*
Street Fund
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Municipal Income Taxes	\$1,776,700	\$1,788,600	\$1,828,517	\$39,917
Intergovernmental	328,100	329,200	329,319	119
Interest	6,950	5,000	4,723	(277)
Other	38,550	110,200	107,392	(2,808)
<i>Total Revenues</i>	<u>2,150,300</u>	<u>2,233,000</u>	<u>2,269,951</u>	<u>36,951</u>
Expenditures:				
<i>Current:</i>				
Transportation	2,373,970	3,090,238	2,867,402	222,836
<i>Debt Service:</i>				
Principal Retirements	500,000	500,000	500,000	0
Interest and Fiscal Charges	1,750	1,750	1,750	0
<i>Total Expenditures</i>	<u>2,875,720</u>	<u>3,591,988</u>	<u>3,369,152</u>	<u>222,836</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(725,420)	(1,358,988)	(1,099,201)	259,787
Other Financing Sources:				
Bonds Issued	500,000	430,130	430,130	0
<i>Total Other Financing Sources</i>	<u>500,000</u>	<u>430,130</u>	<u>430,130</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(225,420)	(928,858)	(669,071)	259,787
Fund Balances at Beginning of Year	701,804	701,804	701,804	0
Prior Year Encumbrances Appropriated	275,902	275,902	275,902	0
Fund Balances at End of Year	<u>\$752,286</u>	<u>\$48,848</u>	<u>\$308,635</u>	<u>\$259,787</u>

See accompanying notes to the basic financial statements

CITY OF ATHENS, OHIO
Statement of Fund Net Position
Proprietary Funds
December 31, 2014

	Business-Type Activities				Governmental Activities	
	Parking Garage	Water	Sewer	All Other Enterprise Funds	Totals	Internal Service Funds
Assets:						
<i>Current:</i>						
Equity in Pooled Cash & Cash Equivalents	\$495,519	\$1,061,720	\$2,997,503	\$1,182,969	\$5,737,711	\$391,298
Accounts Receivable	3,089	247,620	304,481	106,698	661,888	9
Special Assessments Receivable	0	27,551	0	0	27,551	0
Materials and Supplies Inventory	0	246,362	1,591	0	247,953	0
Prepaid Items	1,078	18,640	15,646	982	36,346	4,540
<i>Noncurrent:</i>						
Nondepreciable Capital Assets	347,294	152,871	11,817,638	14,675	12,332,478	0
Depreciable Capital Assets, Net	1,256,861	6,602,037	9,722,338	0	17,581,236	0
<i>Total Assets</i>	<u>2,103,841</u>	<u>8,356,801</u>	<u>24,859,197</u>	<u>1,305,324</u>	<u>36,625,163</u>	<u>395,847</u>
Liabilities:						
<i>Current:</i>						
Accounts Payable	1,332	175,830	77,836	85,756	340,754	892
Contracts Payable	10,260	0	100,268	0	110,528	16,500
Accrued Wages Payable	0	49,442	55,277	2,233	106,952	7,546
Compensated Absences Payable	0	109,508	95,224	1,899	206,631	22,055
Intergovernmental Payable	790	21,171	17,445	529	39,935	7,876
Accrued Interest Payable	0	0	33,828	0	33,828	0
Claims Payable	0	0	0	0	0	189,973
Notes Payable	0	0	650,000	0	650,000	0
OWDA Loans Payable	0	56,742	198,465	0	255,207	0
<i>Noncurrent:</i>						
Compensated Absences Payable	0	41,048	47,951	1,576	90,575	5,712
OWDA Loans Payable	0	1,072,631	12,104,171	0	13,176,802	0
<i>Total Liabilities</i>	<u>12,382</u>	<u>1,526,372</u>	<u>13,380,465</u>	<u>91,993</u>	<u>15,011,212</u>	<u>250,554</u>
Net Position:						
Net Investments in Capital Assets	1,604,155	5,625,535	8,587,340	14,675	15,831,705	0
Unrestricted	487,304	1,204,894	2,891,392	1,198,656	5,782,246	145,293
<i>Total Net Position</i>	<u>\$2,091,459</u>	<u>\$6,830,429</u>	<u>\$11,478,732</u>	<u>\$1,213,331</u>	<u>\$21,613,951</u>	<u>\$145,293</u>

See accompanying notes to the basic financial statements

CITY OF ATHENS, OHIO
*Statement of Revenues, Expenses and
Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2014*

	Business-Type Activities				Totals	Governmental Activities
	Parking Garage	Water	Sewer	All Other Enterprise Funds		Internal Service Funds
Operating Revenues:						
Charges for Services	\$236,436	\$3,251,645	\$3,774,714	\$1,282,117	\$8,544,912	\$2,829,517
Other	0	0	22,716	51,575	74,291	1,074
<i>Total Operating Revenues</i>	<u>236,436</u>	<u>3,251,645</u>	<u>3,797,430</u>	<u>1,333,692</u>	<u>8,619,203</u>	<u>2,830,591</u>
Operating Expenses:						
Personal Services	43,042	1,075,326	974,958	31,665	2,124,991	168,382
Fringe Benefits	8,993	494,107	430,019	9,928	943,047	86,828
Contractual Services	107,157	782,017	696,128	1,107,319	2,692,621	523,262
Materials and Supplies	14,344	525,172	192,344	7,446	739,306	59,489
Utilities	22,148	367,672	426,528	0	816,348	4,260
Claims	0	0	0	0	0	2,215,501
Depreciation	41,169	324,055	377,642	0	742,866	0
<i>Total Operating Expenses</i>	<u>236,853</u>	<u>3,568,349</u>	<u>3,097,619</u>	<u>1,156,358</u>	<u>8,059,179</u>	<u>3,057,722</u>
<i>Operating Income (Loss)</i>	<u>(417)</u>	<u>(316,704)</u>	<u>699,811</u>	<u>177,334</u>	<u>560,024</u>	<u>(227,131)</u>
Non-Operating Revenues (Expenses):						
Interest Income	2,658	8,022	22,889	10,333	43,902	3,972
Other Non-Operating Revenues	47,878	15,220	717	0	63,815	138,990
Loss on Disposal of Capital Assets	0	(35,569)	0	0	(35,569)	0
Interest and Fiscal Charges	0	(5,567)	(66,331)	0	(71,898)	0
Other Non-Operating Expenses	(170)	(17)	0	0	(187)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>50,366</u>	<u>(17,911)</u>	<u>(42,725)</u>	<u>10,333</u>	<u>63</u>	<u>142,962</u>
<i>Change in Net Position</i>	<u>49,949</u>	<u>(334,615)</u>	<u>657,086</u>	<u>187,667</u>	<u>560,087</u>	<u>(84,169)</u>
Net Position at Beginning of Year	2,041,510	7,165,044	10,821,646	1,025,664	21,053,864	229,462
Net Position at End of Year	<u>\$2,091,459</u>	<u>\$6,830,429</u>	<u>\$11,478,732</u>	<u>\$1,213,331</u>	<u>\$21,613,951</u>	<u>\$145,293</u>

See accompanying notes to the basic financial statements

CITY OF ATHENS, OHIO
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2014

	Business-Type Activities				Governmental	
	Parking Garage	Water	Sewer	All Other Enterprise Funds	Totals	Internal Service Funds
Cash Flows from Operating Activities:						
Cash Received from Customers	\$237,637	\$3,256,976	\$3,758,947	\$1,284,821	\$8,538,381	\$2,829,555
Cash from Other Receipts	0	0	22,716	51,575	74,291	1,074
Cash Payments to Employees	(51,931)	(1,595,828)	(1,403,253)	(38,314)	(3,089,326)	(250,494)
Cash Payments for Contractual Services	(106,180)	(782,080)	(676,503)	(1,107,745)	(2,672,508)	(546,495)
Cash Payments for Insurance Claims	0	0	0	0	0	(2,198,597)
Cash Payments for Supplies and Materials	(27,521)	(867,176)	(614,716)	(7,204)	(1,516,617)	(22,210)
<i>Net Cash from Operating Activities</i>	<u>52,005</u>	<u>11,892</u>	<u>1,087,191</u>	<u>183,133</u>	<u>1,334,221</u>	<u>(187,167)</u>
Cash Flows from Noncapital Financing Activities:						
Other Nonoperating Receipts	47,878	15,220	717	0	63,815	138,990
Other Nonoperating Payments	(170)	(17)	0	0	(187)	0
<i>Net Cash from Noncapital Financing Activities</i>	<u>47,708</u>	<u>15,203</u>	<u>717</u>	<u>0</u>	<u>63,628</u>	<u>138,990</u>
Cash Flows from Capital and Related Financing Activities:						
Proceeds Received from Notes and Loans	0	0	8,880,337	0	8,880,337	0
Interest Paid on Notes and Loans	0	(21,542)	(63,159)	0	(84,701)	0
Principal Paid on Notes and Loans	0	(55,898)	(941,273)	0	(997,171)	0
Cash Paid to Acquire/Construct Capital Assets	(27,740)	(45,924)	(8,190,537)	0	(8,264,201)	0
<i>Net Cash from Capital and Related Financing Activities</i>	<u>(27,740)</u>	<u>(123,364)</u>	<u>(314,632)</u>	<u>0</u>	<u>(465,736)</u>	<u>0</u>
Cash Flows from Investing Activities:						
Interest Received on Investments	2,658	8,022	22,889	10,333	43,902	3,972
<i>Net Cash from Investing Activities</i>	<u>2,658</u>	<u>8,022</u>	<u>22,889</u>	<u>10,333</u>	<u>43,902</u>	<u>3,972</u>
<i>Net Increase in Cash and Cash Equivalents</i>	74,631	(88,247)	796,165	193,466	976,015	(44,205)
Cash and Cash Equivalents at Beginning of Year	420,888	1,149,967	2,201,338	989,503	4,761,696	435,503
Cash and Cash Equivalents at End of Year	<u>\$495,519</u>	<u>\$1,061,720</u>	<u>\$2,997,503</u>	<u>\$1,182,969</u>	<u>\$5,737,711</u>	<u>\$391,298</u>

See accompanying notes to the basic financial statements

CITY OF ATHENS, OHIO
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2014

	Business-Type Activities				Governmental Activities	
	Parking Garage	Water	Sewer	All Other Enterprise Funds	Totals	Internal Service Funds
Reconciliation of Operating Income to Net Cash from Operating Activities:						
Operating Income (Loss)	(\$417)	(\$316,704)	\$699,811	\$177,334	\$560,024	(\$227,131)
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:						
Depreciation Expense	41,169	324,055	377,642	0	742,866	0
Changes in Assets and Liabilities:						
(Increase) Decrease in Accounts Receivable	1,201	5,331	(15,767)	2,704	(6,531)	38
(Increase) Decrease in Material and Supply Inventory	0	32,279	74	0	32,353	0
(Increase) Decrease in Prepaid Items	977	(63)	6,751	(426)	7,239	(1,929)
Increase (Decrease) in Accounts Payable	(1,289)	(6,502)	3,582	198	(4,011)	(1,288)
Increase (Decrease) in Contracts Payable	10,260	0	12,874	0	23,134	16,500
Increase (Decrease) in Accrued Wages Payable	0	(2,968)	4,440	1,133	2,605	779
Increase (Decrease) in Compensated Absences	0	(25,373)	(1,717)	2,258	(24,832)	3,623
Increase (Decrease) in Intergovernmental Payable	104	1,837	(499)	(68)	1,374	5,337
Increase (Decrease) in Claims Payable	0	0	0	0	0	16,904
<i>Net Cash from Operating Activities</i>	<u>\$52,005</u>	<u>\$11,892</u>	<u>\$1,087,191</u>	<u>\$183,133</u>	<u>\$1,334,221</u>	<u>(\$187,167)</u>

See accompanying notes to the basic financial statements

CITY OF ATHENS, OHIO
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2014

	<u>Agency</u>
Assets:	
Equity in Pooled Cash & Cash Equivalents	\$1,350
Cash and Cash Equivalents in Segregated Accounts	<u>397,230</u>
<i>Total Assets</i>	<u>398,580</u>
Liabilities:	
Deposits Held and Due to Others	<u>398,580</u>
<i>Total Liabilities</i>	<u><u>\$398,580</u></u>

See accompanying notes to the basic financial statements

NOTE 1 - DESCRIPTION OF THE ENTITY

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

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

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

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

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

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

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

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

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

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

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

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

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

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

Fund Accounting

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

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Proprietary Funds: Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The City's proprietary funds are classified as either enterprise or internal service. The following are the City's major enterprise funds:

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

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

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

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

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

Measurement Focus

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

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Basis of Accounting

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

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

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

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

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

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Budgetary Accounting and Control:

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

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

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

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

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

The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported as original budgeted amounts on the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as final budget amounts on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2014.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash and Investments

Cash and investments of the City's funds, except those held in restricted asset accounts, are pooled and invested in short-term investments in order to provide improved cash management. During 2014, the City's funds were invested in interest bearing demand accounts and certificates of deposit with commercial banks. For purposes of the statement of cash flows, the enterprise funds' portion of cash and cash equivalents is considered a cash equivalent because the City is able to withdraw resources from the enterprise funds without prior notice or penalty.

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

Following the local ordinance of the City as well as State statutes, the City has specified the funds to receive an allocation of interest earnings. During 2014, the General Fund earned interest revenue of \$17,792, of which \$130 was assigned from other funds.

Inventories

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

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2014 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it is consumed.

Capital Assets

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

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. Interest incurred during the construction of capital assets is also capitalized. All reported capital assets are depreciated except for land, streets, and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City’s historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

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

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

Compensated Absences

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balance

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

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

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

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

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Net Position

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

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are parking garage fees and charges for services for water, sanitary sewer, and garbage collection services. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund.

Interfund Transactions

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

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

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2014.

Estimates

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

NOTE 3 - RECONCILIATION OF BUDGET BASIS TO GAAP BASIS

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

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

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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

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

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses/Net Change in Fund Balance	
	General	Street
Budget Basis	(\$372,488)	(\$669,071)
<i>Adjustments:</i>		
Revenue Accruals	179,364	46,021
Expenditure Accruals	302,716	602,685
Encumbrances	487,400	244,078
Other Financing Sources	(150,000)	0
<i>Prospective Difference:</i>		
Activity of Funds Reclassified For GAAP Reporting Purposes	91	0
GAAP Basis	\$447,083	\$223,713

NOTE 4 - NEW GASB PRONOUNCEMENTS

For the year ended December 31, 2014, the City implemented GASB Statement No. 69, “Government Combinations and Disposals of Government Operations”. GASB Statement No. 69 improves the accounting and reporting of state and local government combinations and disposals of government operations through transactions such as mergers, acquisitions and transfers of operations.

Additionally, the City implemented GASB Statement No. 70, “Accounting and Financial Reporting for Nonexchange Financial Guarantees”. GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions.

The implementation of GASB Statements No. 69 and No. 70 did not have any effect on the financial statements of the City.

NOTE 5 - CASH, DEPOSITS AND INVESTMENTS

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

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

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

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 5 - CASH, DEPOSITS AND INVESTMENTS (Continued)

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

- (1) United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- (2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- (3) Written repurchase agreements in the securities listed above, provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to fair value daily, and that the term of the agreement must not exceed thirty days;
- (4) Bonds and other obligations of the State of Ohio;
- (5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- (6) The State Treasury Assets Reserve of Ohio (STAR Ohio);
- (7) Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of interim monies available for investment at any time; and
- (8) Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 5 - CASH, DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

At December 31, 2014, the carrying amount of all City deposits was \$15,013,902. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of December 31, 2014, \$13,892,496 of the City's bank balance of \$14,934,031 was exposed to custodial risk as discussed above while \$1,041,535 was covered by Federal Deposit Insurance. The \$13,892,496 exposed to custodial risk was collateralized with securities held by the City or its agency in the City's name.

NOTE 6 - PROPERTY TAXES

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

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

The assessed value upon which the 2014 taxes were collected was \$335,820,120. The full tax rate for all City operations that was applied to real property for the year ended December 31, 2014 was \$2.60 per \$1,000 of assessed valuation for City residents in Athens Township, and \$2.40 per \$1,000 of assessed valuation for City residents in Canaan Township. Real property owners' tax bills are reduced for inflationary increases in property values and when applicable, are further reduced by homestead and rollback deductions. The amount of these homestead and rollback reductions is reimbursed to the City by the State of Ohio.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 6 - PROPERTY TAXES (Continued)

Real Property:	
Residential/Agricultural	\$182,469,090
Commercial/Industrial	140,867,240
Total Real Property	<u>323,336,330</u>
Personal Property:	
Public Utilities	12,483,790
Total Assessed Valuation	<u><u>\$335,820,120</u></u>

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

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

Accrued property taxes receivable represents delinquent taxes outstanding and real and public utility taxes which were measurable as of December 31, 2014. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not intended to finance 2014 operations. The receivable is therefore offset by a credit to deferred inflows of resources.

NOTE 7 - INCOME TAX REVENUE

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

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

1. In quarterly payments to be made on or before the last day of the month following each calendar quarter of the year, if the amount to be deducted and withheld during the quarter will not exceed \$500,00.
2. In monthly payments to be made on or before the last day of the month following each month of each year, if the amount to be deducted and withheld during the quarter exceeds \$500.00 or more.

In 2014, the income tax generated a total of \$11,476,805 in income tax revenue.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 8 - INTERFUND ACTIVITY

A summary of interfund transfers for 2014 were as follows:

Fund	Transfers In	Transfers Out
<i>Nonmajor Governmental Funds:</i>		
House Arrest	\$0	\$2,282
DUI Court Grant	2,282	0
East State Street	\$250,000	\$9,713
Tax Increment Financing	9,713	250,000
Total	\$261,995	\$261,995

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

NOTE 9 - INTERGOVERNMENTAL RECEIVABLE

Receivables at December 31, 2014 consisted of property taxes, income taxes, accounts (billings for user charged services), notes, loans, special assessments, interest and intergovernmental grants. All receivables are considered fully collectible.

A summary of the principal items of intergovernmental receivable follows:

Governmental Activities	
<i>General Fund:</i>	
Local Government Distributions	\$142,544
<i>Street Fund:</i>	
Street Mainenance Distributions	84,807
Nonmajor Special Revenue Funds	22,762
Total Intergovernmental Receivable	\$250,113

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 10 – DEFERRED INFLOWS/DEFERRED OUTFLOWS OF RESOURCES

In addition to assts, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. A deferral on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City had no such activity as of December 31, 2014.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenues. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance year 2015 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements.

Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes, franchise taxes, intergovernmental grants, special assessments, and charges for services. These amounts are deferred and recognized as inflows of resources on the governmental fund balance sheet for the following:

Governmental Funds	
	General
Property Taxes	\$884,519
Total Deferred Inflows of Resources	\$884,519

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 11- CAPITAL ASSETS

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

	Balance January 1, 2014	Additions/ Transfers	Deletions/ Transfers	Balance December 31, 2014
Governmental Activities:				
<i>Nondepreciable Capital Assets:</i>				
Land	\$3,251,876	\$0	\$0	\$3,251,876
Infrastructure	45,516,269	1,017,281	0	46,533,550
Construction in Progress	<u>5,199,344</u>	<u>3,077,096</u>	<u>(5,371,887)</u>	<u>2,904,553</u>
Total Nondepreciable Capital Assets	<u>53,967,489</u>	<u>4,094,377</u>	<u>(5,371,887)</u>	<u>52,689,979</u>
<i>Depreciable Capital Assets:</i>				
Land Improvements	1,050,841	0	0	1,050,841
Buildings	13,976,387	143,118	0	14,119,505
Machinery, Equipment and Vehicles	9,480,800	380,550	(394,562)	9,466,788
Infrastructure	<u>15,884,725</u>	<u>3,730,166</u>	<u>(1,911,000)</u>	<u>17,703,891</u>
Total Depreciable Capital Assets	40,392,753	4,253,834	(2,305,562)	42,341,025
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(262,450)	(21,971)	0	(284,421)
Buildings	(6,060,909)	(290,891)	0	(6,351,800)
Machinery, Equipment and Vehicles	(7,631,012)	(770,768)	367,955	(8,033,825)
Infrastructure	<u>(6,489,249)</u>	<u>(142,142)</u>	<u>1,583,190</u>	<u>(5,048,201)</u>
Total Accumulated Depreciation	<u>(20,443,620)</u>	<u>(1,225,772)</u>	<u>1,951,145</u>	<u>(19,718,247)</u>
Total Depreciable Capital Assets, Net	<u>19,949,133</u>	<u>3,028,062</u>	<u>(354,417)</u>	<u>22,622,778</u>
Governmental Activities Capital Assets, Net	<u><u>\$73,916,622</u></u>	<u><u>\$7,122,439</u></u>	<u><u>(\$5,726,304)</u></u>	<u><u>\$75,312,757</u></u>

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 11 - CAPITAL ASSETS (Continued)

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

Governmental Activities	
General Government	\$163,182
<i>Security of Persons and Property:</i>	
Police	40,938
Fire	218,861
Transportation	597,322
Leisure Time Activities	205,469
Governmental Activities Depreciation Expense	\$1,225,772

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

	Balance January 1, 2014	Additions/ Transfers	Deletions/ Transfers	Balance December 31, 2014
<i>Nondepreciable Capital Assets:</i>				
Land	\$463,489	\$0	\$0	\$463,489
Construction in Progress	3,675,909	8,193,080	0	11,868,989
Total Nondepreciable Capital Assets	4,139,398	8,193,080	0	12,332,478
<i>Depreciable Capital Assets:</i>				
Land Improvements	8,555	0	0	8,555
Buildings	11,743,563	0	0	11,743,563
Machinery, Equipment and Vehicles	2,379,255	71,121	(101,296)	2,349,080
Infrastructure	27,198,001	0	(82,300)	27,115,701
Total Depreciable Capital Assets	41,329,374	71,121	(183,596)	41,216,899
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(8,555)	0	0	(8,555)
Buildings	(6,148,692)	(197,406)	0	(6,346,098)
Machinery, Equipment and Vehicles	(2,045,250)	(73,219)	92,886	(2,025,583)
Infrastructure	(14,838,327)	(472,241)	55,141	(15,255,427)
Total Accumulated Depreciation	(23,040,824)	(742,866)	148,027	(23,635,663)
Total Depreciable Capital Assets, Net	18,288,550	(671,745)	(35,569)	17,581,236
Business-Type Activities Capital Assets, Net	\$22,427,948	\$7,521,335	(\$35,569)	\$29,913,714

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

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 12 - NOTES PAYABLE

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

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

The following is a summary of the City's note obligation activity for the year ended December 31, 2014:

Purpose/ Description	Maturity Date	Interest Rate	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014
<u>Governmental Activities:</u>						
<i>Notes Payable:</i>						
East State Street	2014	0.45%	\$250,000	\$0	\$250,000	\$0
Fire Dept. Ladder Truck	2014	0.45%	225,000	0	225,000	0
Fire Dept. Ladder Truck	2015	0.35%	0	150,000	0	150,000
Fire Dept. Pumper Truck	2015	0.30%	0	573,411	0	573,411
HAPCAP Transit Bus	2015	0.30%	0	100,000	0	100,000
Community Center Energy Note	2014	0.70%	75,000	0	75,000	0
University Estates St. Imp Note	2014	0.35%	500,000	0	500,000	0
Governmental Activities Notes Payable			<u>\$1,050,000</u>	<u>\$823,411</u>	<u>\$1,050,000</u>	<u>\$823,411</u>
<u>Business-Type Activities:</u>						
<i>Notes Payable:</i>						
WWTP Improvements	2014	0.45%	\$750,000	\$0	\$750,000	\$0
WWTP Improvements	2015	0.30%	0	650,000	0	650,000
Business-Type Activities Notes Payable			<u>\$750,000</u>	<u>\$650,000</u>	<u>\$750,000</u>	<u>\$650,000</u>

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 13 - LONG-TERM DEBT AND OTHER OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2014 was as follows:

Purpose/ Description	Maturity Date	Interest Rate	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014	Amounts Due Within One Year
<u>Governmental Activities:</u>							
<i>General Obligation Bonds Payable:</i>							
Community Center Refunding Bonds Original Issue Date - 2010 Original Issue Amount - \$2,730,000	2016	2.00%	\$1,390,000	\$0	\$485,000	\$905,000	\$465,000
Premium on Bonds Issued			32,923	0	10,974	21,949	0
University Estates St. Imp Bonds	2024	2.30%	0	430,130	0	430,130	38,747
<i>Other Long-Term Obligations:</i>							
Community Center Energy Notes			145,000	145,000	145,000	145,000	0
Compensated Absences			1,132,257	590,616	583,212	1,139,661	740,210
Governmental Activities Long-Term Obligations			<u>\$2,700,180</u>	<u>\$1,165,746</u>	<u>\$1,224,186</u>	<u>\$2,641,740</u>	<u>\$1,243,957</u>
<u>Business-Type Activities:</u>							
<i>OWDA Loans Payable:</i>							
Loan No. 2672/2673 Original Issue Dates - 1995 & 1996 Original Issue Amount - \$908,787	2016	4.16%	\$187,681	\$0	\$60,008	\$127,673	\$62,525
Loan No. 3873 Original Issue Date - 2004 Original Issue Amount - \$2,632,603	2023	3.53%	1,544,281	0	131,265	1,413,016	135,940
Loan No. 5259 Original Issue Date - 2009 Original Issue Amount - \$480,000	2030	0.00%	408,000	0	24,000	384,000	24,000
Loan No. 6270 Original Issue Date - 2012 Original Issue Amount - \$582,375	2033	2.63%	777,271	0	31,898	745,373	0
Loan No. 6426 Original Issue Date - 2013 Original Issue Amount - \$2,531,610	2035	1.82%	2,531,610	8,230,337	0	10,761,947	0
<i>Other Long-Term Obligations:</i>							
Compensated Absences			322,038	233,658	258,490	297,206	239,373
Business-Type Activities Long-Term Obligations			<u>\$5,770,881</u>	<u>\$8,463,995</u>	<u>\$505,661</u>	<u>\$13,729,215</u>	<u>\$461,838</u>

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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

The City's long-term debt requirements, excluding compensated absences as of December 31, 2014, are as follows:

Year Ending December 31	Governmental Activities		Business-Type Activities*	
	Payments		Payments	
	Principal	Interest	Principal	Interest
2015	\$503,747	\$31,356	\$222,465	\$53,349
2016	479,638	20,002	229,928	45,885
2017	40,549	8,090	169,794	39,336
2018	41,482	7,158	174,986	33,644
2019	42,436	6,203	180,363	28,267
2020 – 2024	227,278	15,920	803,153	55,368
2025 – 2029	0	0	120,000	0
2030	0	0	24,000	0
Total	<u>\$1,335,130</u>	<u>\$88,729</u>	<u>\$1,924,689</u>	<u>\$255,849</u>

* Business-Type Activities does not include OWDA loan 6270 or 6426 due to loans not being completed at December 31, 2014.

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

General obligations bonds are secured by 0 .1 percent of the City's income tax. These bonds are also backed by the full faith and credit of the City.

NOTE 14 - PENSION OBLIGATIONS

Ohio Public Employees Retirement System

The City contributes to the Ohio Public Employees Retirement System of Ohio (OPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State. 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 in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and vested employer contributions, plus any investment earnings. The Combined Plan is a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution Plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments, to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <http://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for member and employer contribution. For 2014, member and employer contribution rates were consistent across all three plans. The 2014 member contribution rates were 10 percent of earnable salary for members in state and local classifications. The 2014 employer contribution rates were 14 percent of earnable salary for members in state and local classifications. The City's required contributions to OPERS for the years ending December 31, 2014, 2013, and 2012 were \$933,792, \$866,563, and \$675,656, respectively; 93.36 percent has been contributed for 2014 and 100 percent for years 2012 and 2011. Of the 2014 amount, \$29,103 was unpaid at December 31, 2014 and is recorded as a fund liability in the basic financial statements.

Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43125-5164. That report is also available on OP&F's website at www.op-f.org.

From January 1, 2014 thru July 1, 2014, plan members were required to contribute 10.75 percent of their annual covered salary. From July 2, 2014 thru December 31, 2014, plan members were required to contribute 11.5 percent of their annual covered salary. Throughout 2014, employers were required to contribute 19.5 percent and 24 percent respectively for police officers and firefighters. The City's contributions for pension obligations to the OP&F for police and firefighters were \$347,079 and \$366,362 for the year ended December 31, 2014 \$285,771 and \$314,755 for the year ended December 31, 2013, \$213,019 and \$260,422 for the year ended December 31, 2012. 95.56 percent and 96.55 percent respectively, has been contributed for 2014, while 100 percent has been contributed for 2013 and 2012.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 15 –POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

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

OPERS maintains a cost-sharing multiple employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and –service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <http://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-PERS (7377).

Funding Policy - Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2014, state and local employers contributed at a rate of 14.00 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund the OPEB Plan.

OPERS’ Post-employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code section 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to health care remains at 2.0 percent for both plans, as recommended by OPERS’ actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. Of the employer contributions made by the City for the years 2014, 2013, and 2012 were \$133,399, \$66,659, and \$270,262, respectively; was the amount used to fund post-employment health care. The actual contribution and the actuarially required contribution amounts are the same.

Changes to the Health Care preservation Plan (HCPP) were adopted by the OPERS Board of Trustees on September 9, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 15 –POST-EMPLOYMENT BENEFITS - (Continued)

Ohio Police and Fire Pension Fund

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

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

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

OPERS issue a stand-alone financial report. Interested parties may obtain a copy by visiting <http://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-PERS (7377).

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 0.5 percent of covered payroll from January 1, 2014 thru December 31, 2014. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$9,134 and \$7,795 for the year ended December 31, 2014, \$65,144 and \$55,908 for the year ended December 31, 2013, and \$112,775 and \$101,904 for the year ended December 31, 2012, respectively. 96.56 percent and 96.55 percent respectively, has been contributed for 2014, while 100 percent has been contributed for 2013 and 2012.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 16 - EMPLOYEE BENEFITS

Compensated Absences

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

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

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

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

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

NOTE 17 - RISK MANAGEMENT

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

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

In addition, the City maintains replacement cost insurance on buildings and contents in the amount of \$124,977,705. Other property insurance includes the following: \$863,275 for contractor's equipment. Supplemental boiler and machinery coverage is carried in the amount of \$100,000 with business interruption and extra expense/actual loss provisions.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 17 - RISK MANAGEMENT - (Continued)

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

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

The City participates in a medical self-insurance plan for employees who cover medical claims and prescription drugs. The medical portion is a limited risk health plan with a third party administrator, UMR, Inc. that is part of the United Healthcare Network. The prescription drug coverage is administered by OPTUM RX, with the employee paying a co-pay amount, then OPTUM RX paying the balance and billing the City. All claims are paid by the third party administrator under policies established by the City. The City pays an administrative fee to Harrington Benefit to service the claims. All departmental funds contribute to the Medical Internal Service Fund based on fees legislatively set by Council to insure historical and anticipated claims coverage in relation to the number of employees paid from each departmental fund. The medical service fund is presented in the financial statements and reflects all fees paid into the fund and all claims and administrative costs paid out of the fund. The City also carries a specific excess coverage (stop-loss) policy for medical claims in excess of \$100,000 per person and \$3,038,943 in the aggregate. The specific and aggregate excess loss insurance is carried with United Health Care through the third party administrator.

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

Changes in the fund's claims liability in 2013 and 2014 were as follows:

	Beginning Year Balance	Current Year Claims	Claim Payments	Ending Year Balance
2013	\$169,292	\$2,091,729	\$2,087,952	\$173,069
2014	173,069	2,215,501	2,198,597	189,973

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

NOTE 18- LANDFILL CLOSURE AND POST CLOSURE CARE COSTS

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

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 19- ACCOUNTABILITY

Deficit Fund Balance

The following fund had a deficit fund balance as of December 31, 2014:

Capital Improvement Fund \$309,802

The deficit fund balance in the Capital Improvement Fund is due to the issuance of a general obligation note to finance this project. Once the note is retired, the deficit will be eliminated.

NOTE 20 – FUND CASH BALANCES

As of December 31, 2014 fund balances are composed of the following:

	General	Street	All Other Governmental Funds	Total Governmental Funds
<i>Nonspendable:</i>				
Prepaid Items	\$61,970	\$4,539	\$22,423	\$88,932
Materials & Supplies	25,283	121,090	0	146,373
Unclaimed Monies	4,357	0	0	4,357
Loans Receivable	0	0	143,031	143,031
Total Nonspendable	91,610	125,629	165,454	382,693
<i>Restricted:</i>				
Transportation	0	701,204	206,941	908,145
Parks & Recreation	0	0	1,614,489	1,614,489
Capital Projects	0	0	1,523,290	1,523,290
Tourism	0	0	25,985	25,985
Cable Access	0	0	92,900	92,900
Court	0	0	727,993	727,993
Community and Econ. Dev.	0	0	412,853	412,853
Police	0	0	590,708	590,708
Expendable Trust	0	0	1,094	1,094
Total Restricted	0	701,204	5,196,253	5,897,457
<i>Assigned:</i>				
Administration	825,424	0	0	825,424
Police	412,706	0	0	412,706
Fire	289,988	0	0	289,988
Community and Econ. Dev.	62,941	0	0	62,941
Transportation	67,108	0	0	67,108
Total Assigned	1,658,167	0	0	1,658,167
<i>Unassigned</i>	730,912	0	(309,802)	421,110
Total Fund Balances	\$2,480,689	\$826,833	\$5,051,905	\$8,359,427

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 21-ENCUMBRANCE COMMITMENTS

At December 31, 2014, the City had encumbrance commitments in the Governmental Funds as follows:

<u>Major Funds</u>	
General	\$487,400
Street	244,078
<u>Nonmajor Funds</u>	
Cable Access	10,894
Transportation Assistance	130,124
Permissive Wheel Tax	8,297
Judges Court Computer	3,954
Clerk Court Computer	17,747
Underage Drinkers	2,822
Community Correction Grant	868
DUI Court Grant	2,773
CDBG	36,577
Athens City Enhancement	25,539
Indigent Driver Alcohol Treatment	28,289
Recreation	137,116
Community Center	150,155
Street Rehabilitation	703,330
Capital Improvements	179,753
Armory/Hudson Street Buildings	442
Law Admin Building Improvement	1,031
Court Capital	2,150
Total Nonmajor Funds	1,441,861
 Total Encumbrances	 \$2,173,339

NOTE 22 - CONTINGENCIES

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

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

NOTE 22 - SUBSEQUENT EVENTS

On March 9, 2015, the City approved issuing bonds for renovating the parking garage in an amount not to exceed \$2,000,000.

CITY OF ATHENS, OHIO
Required Supplementary Information
Modified Approach for Infrastructure Assets
December 31, 2014

		Value of Streets									
		2014		2013		2012		2011		2010	
	Rating	Value	%	Value	%	Value	%	Value	%	Value	%
Acceptable	9 - 10	\$12,649,176	27.18%	\$15,422,359	33.88%	\$10,631,676	24.77%	\$8,376,731	19.84%	\$4,673,256	14.08%
Moderately Deficient	7 - 8	11,884,948	25.54%	13,032,822	28.63%	18,122,917	42.22%	17,918,305	42.44%	12,299,982	37.07%
Marginally Deficient	5 - 6	16,574,495	35.62%	13,618,282	29.92%	10,720,929	24.98%	11,721,631	27.77%	10,835,088	32.65%
Substantially Deficient	3 - 4	5,424,930	11.66%	3,442,806	7.56%	3,359,162	7.83%	4,001,423	9.48%	4,332,669	13.06%
Severely Deficient	1 - 2	0	0.00%	0	0.00%	91,605	0.21%	197,949	0.47%	1,042,572	3.14%
<i>Total</i>		<u>\$46,533,549</u>	<u>100.00%</u>	<u>\$45,516,269</u>	<u>100.00%</u>	<u>\$42,926,289</u>	<u>100.00%</u>	<u>\$42,216,039</u>	<u>100.00%</u>	<u>\$33,183,567</u>	<u>100.00%</u>

2

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

Comparison of Budgeted Expenditures vs. Actual Expenditures

Year	Budgeted Expenditure	Actual Expenditure	Difference
2014	\$3,591,988	\$3,369,152	\$222,836
2013	3,448,706	3,091,994	356,712
2012	3,136,408	2,527,323	609,085
2011	2,831,367	2,357,667	473,700
2010	2,679,601	2,430,390	249,211

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**CITY OF ATHENS
ATHENS COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2014**

Federal Grantor/ Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Number	Disbursements
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed through the Ohio Department of Development</i>			
Community Development Block Grant - State's Program	14.228	A-F-13-2AE-1	\$ 75,000
Community Development Block Grant - State's Program	14.228	A-C-13-2AE-1	81,360
			<u>156,360</u>
Home Investment Partnership Program	14.239	A-C-13-2AE-2	37,900
Total United States Department of Housing and Urban Development			194,260
UNITED STATES DEPARTMENT OF JUSTICE			
<i>Passed through the Ohio Department of Public Safety</i>			
Violence Against Women Formula Grants	16.588	2011-WF-VA2-8414A	15,000
Violence Against Women Formula Grants	16.588	2013-WF-VA2-8414	45,000
			<u>60,000</u>
Total United States Department of Justice			60,000
UNITED STATES DEPARTMENT OF TRANSPORTATION			
<i>Passed through the Ohio Department of Transportation</i>			
Highway Planning and Construction	20.205	Federal Project # E090(942)	472,664
Total United States Department of Transportation			472,664
Grand Total Federal Financial Assistance			<u>\$ 726,924</u>

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

**CITY OF ATHENS
ATHENS COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2014**

Note A – Significant Accounting Policies

The accompanying Schedule of Federal Awards Expenditures (the Schedule) is a summary of the activity of the City's federal award programs. The Schedule has been prepared on the cash basis of accounting.

Note B – Subrecipients

The subrecipient agency has certain compliance responsibilities related to administering this federal program. Under OMB Circular A-133, the City is responsible for monitoring subrecipients to help assure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements, and the performance goals are achieved.

Note C – Community Development Block Grants (CDBG) Revolving Loan Program

The City has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low to moderate income households. The Federal Department of Housing and Urban Development (HUD) grants the money for these loans to the City, passed through the State Department of Development. The initial loan of this money is recorded as a disbursement on the Schedule. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

Note D – Matching Requirements

Certain Federal programs require the City contribute non-Federal funds (matching funds) to support the federally funded programs. The City has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the Schedule.



Dave Yost • Auditor of State

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

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

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Athens, Athens County, Ohio (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 20, 2015.

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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

August 20, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the City Council:

Report on Compliance for the Major Federal Program

We have audited the City of Athens, Athens County, Ohio (the City), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the City's major federal program for the year ended December 31, 2014. The *Summary of Audit Results* in the accompanying Schedule of Findings identifies the City's major federal program.

Management's Responsibility

The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the City's compliance for the City's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could directly and materially affect its major federal programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

August 20, 2015

**CITY OF ATHENS
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Program: <ul style="list-style-type: none"> • Highway Planning and Construction (Federal-Aid Highway Program) – CFDA #20.205 	
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

CITY OF ATHENS

ATHENS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 1, 2015**