



Dave Yost • Auditor of State

**CITY OF NELSONVILLE
ATHENS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

City of Nelsonville
Athens County
P.O. Box 370
211 Lake Hope Drive
Nelsonville, Ohio 45764-0370

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2016, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

February 2, 2016

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

The discussion and analysis of the City of Nelsonville's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2014. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2014 are as follows:

- In total, net position decreased \$1,608,796. Net position of governmental activities decreased \$989,064, or 6.8 percent from 2013. Net position of business-type activities decreased \$619,732, or 10.5 percent from 2013.
- In total, assets increased \$15,055. Governmental activities assets decreased \$353,104, while the business-type activities assets increased \$368,159.
- Overall, capital assets increased \$427,810. Total capital assets of governmental activities increased \$2,168. Capital assets of business-type activities increased \$425,652, or 4.5 percent.
- In total, liabilities increased \$1,691,864. Total liabilities of governmental activities increased \$703,973. Total liabilities of business-type activities increased \$987,891 from 2013.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the City's financial position.

The statement of net position and the statement of activities provide information about the activities of the City as a whole, presenting both an aggregate and a longer-term view of the City.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. Fund financial statements report the City's most significant funds individually and the City's non-major funds in a single column.

Reporting the City of Nelsonville as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The Statement of Net Position and Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These statements report the City's net position and changes in net position. This change in net position is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or worsened. Over time, these changes are one indicator of whether the financial position is improving or deteriorating. However, in evaluating the overall position of the City, non-financial information, such as the condition of the City's capital assets and changes in the City's property tax base will also need to be evaluated.

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

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

- **Governmental Activities** – Most of the City's services are reported here including police, fire, administration, and all departments with the exception of our Water, Sewer, and Parking Meter Funds.
- **Business-Type Activities** – Water and sewer services, as well as parking meter enforcement, have charges based on the amounts of usage. The City charges fees to recoup the cost of the entire operation or our water and sewer treatment plants, and parking meters, as well as all capital expenses associated with these facilities and equipment.

Reporting the City of Nelsonville's Most Significant Funds

Fund Financial Statements

The basic governmental fund financial statements begin on page 11. Fund financial reports provide detailed information about the City's major funds. Based upon restrictions on the use of monies, the City has established many funds which account for the multitude of services provided to our residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Nelsonville, our major funds are the General Fund; the Street Levy and Grants, Special Revenue Funds; the Capital Improvements Capital Projects Fund; and the Water, Sewer, and Parking Meter Enterprise Funds.

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

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

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

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

THE CITY OF NELSONVILLE AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2014 compared to 2013.

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

(Table 1)
 Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------------------|-------------------------|---------------------|--------------------------|--------------------|---------------------|---------------------|
| | 2014 | 2013 Restated | 2014 | 2013 Restated | 2014 | 2013 Restated |
| Assets | | | | | | |
| Current and Other Assets | \$3,075,286 | \$3,430,548 | \$1,901,092 | \$1,958,585 | \$4,976,378 | \$5,389,133 |
| Capital Assets, Net | 11,873,954 | 11,871,796 | 9,799,360 | 9,373,708 | 21,673,314 | 21,245,504 |
| <i>Total Assets</i> | <u>14,949,240</u> | <u>15,302,344</u> | <u>11,700,452</u> | <u>11,332,293</u> | <u>26,649,692</u> | <u>26,634,637</u> |
| Liabilities | | | | | | |
| Current and Other Liabilities | 109,021 | 84,343 | 244,303 | 167,946 | 353,324 | 252,289 |
| Long-Term Liabilities: | | | | | | |
| Due within One Year | 78,456 | 55,128 | 380,583 | 146,570 | 459,039 | 201,698 |
| Due in More than One Year | 882,097 | 226,130 | 5,785,988 | 5,108,467 | 6,668,085 | 5,334,597 |
| <i>Total Liabilities</i> | <u>1,069,574</u> | <u>365,601</u> | <u>6,410,874</u> | <u>5,422,983</u> | <u>7,480,448</u> | <u>5,788,584</u> |
| Deferred Inflows of Resources | | | | | | |
| Property Taxes | 287,040 | 355,053 | 0 | 0 | 287,040 | 355,053 |
| Net Position | | | | | | |
| Net Investment in Capital Assets | 11,037,602 | 11,714,434 | 3,660,471 | 4,177,184 | 14,698,073 | 15,891,618 |
| Restricted for: | | | | | | |
| Streets | 294,893 | 374,701 | 0 | 0 | 294,893 | 374,701 |
| Police | 16,297 | 14,503 | 0 | 0 | 16,297 | 14,503 |
| Parks | 225,332 | 310,640 | 0 | 0 | 225,332 | 310,640 |
| Capital Projects | 898,433 | 882,720 | 0 | 0 | 898,433 | 882,720 |
| Other Purposes | 67,851 | 67,851 | 0 | 0 | 67,851 | 67,851 |
| Unclaimed Monies | 20,440 | 20,431 | | | 20,440 | 20,431 |
| Unrestricted | 1,031,778 | 1,196,410 | 1,629,107 | 1,732,126 | 2,660,885 | 2,928,536 |
| <i>Total Net Position</i> | <u>\$13,592,626</u> | <u>\$14,581,690</u> | <u>\$5,289,578</u> | <u>\$5,909,310</u> | <u>\$18,882,204</u> | <u>\$20,491,000</u> |

Total governmental activities assets decreased \$353,104. This is primarily due to reductions in property tax receivables, and a decrease in cash.

Total governmental activities liabilities increased \$703,973. This is mostly due to the City issuing new governmental long-term debt in 2014.

Total business-type activities assets increased \$368,159. This is primarily due to capital asset increases for improvements currently being made to the City's water treatment plant.

For business-type activities, liabilities increased \$987,891, primarily due to an increase in long-term debt related to the City's water treatment plant project.

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

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

(Table 2)
Changes in Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|---------------------|--------------------------|--------------------|---------------------|---------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for Services | \$134,870 | \$118,426 | \$1,864,086 | \$2,056,175 | \$1,998,956 | \$2,174,601 |
| Operating Grants, Contributions and Interest | 582,783 | 696,006 | 0 | 0 | 582,783 | 696,006 |
| Capital Grants and Contributions | 16,896 | 0 | 0 | 1,300 | 16,896 | 1,300 |
| <i>Total Program Revenues</i> | <u>734,549</u> | <u>814,432</u> | <u>1,864,086</u> | <u>2,057,475</u> | <u>2,598,635</u> | <u>2,871,907</u> |
| General Revenues | | | | | | |
| Property Taxes | 376,931 | 315,262 | 0 | 0 | 376,931 | 315,262 |
| Income Taxes | 1,659,939 | 1,692,467 | 0 | 0 | 1,659,939 | 1,692,467 |
| Grants and Entitlements | 86,328 | 81,553 | 0 | 0 | 86,328 | 81,553 |
| Interest | 8,152 | 8,684 | 0 | 0 | 8,152 | 8,684 |
| Other | 55,957 | 32,607 | 1,102 | 4,265 | 57,059 | 36,872 |
| Insurance Recoveries | 0 | 7,020 | 0 | 0 | 0 | 7,020 |
| <i>Total General Revenues</i> | <u>2,187,307</u> | <u>2,137,593</u> | <u>1,102</u> | <u>4,265</u> | <u>2,188,409</u> | <u>2,141,858</u> |
| Total Revenues | <u>2,921,856</u> | <u>2,952,025</u> | <u>1,865,188</u> | <u>2,061,740</u> | <u>4,787,044</u> | <u>5,013,765</u> |
| Program Expenses | | | | | | |
| General Government | 644,734 | 476,402 | 0 | 0 | 644,734 | 476,402 |
| Security of Persons and Property: | | | | | | |
| Police | 818,382 | 838,610 | 0 | 0 | 818,382 | 838,610 |
| Fire | 485,182 | 483,907 | 0 | 0 | 485,182 | 483,907 |
| Transportation | 1,281,640 | 1,334,212 | 0 | 0 | 1,281,640 | 1,334,212 |
| Leisure Time Activities | 305,014 | 345,109 | 0 | 0 | 305,014 | 345,109 |
| Community Environment | 368,843 | 158,251 | 0 | 0 | 368,843 | 158,251 |
| Interest and Fiscal Charges | 7,125 | 7,482 | 0 | 0 | 7,125 | 7,482 |
| Water | 0 | 0 | 1,458,546 | 1,048,443 | 1,458,546 | 1,048,443 |
| Sewer | 0 | 0 | 1,026,374 | 885,975 | 1,026,374 | 885,975 |
| Parking Meter | 0 | 0 | 0 | 3,386 | 0 | 3,386 |
| <i>Total Program Expenses</i> | <u>3,910,920</u> | <u>3,643,973</u> | <u>2,484,920</u> | <u>1,937,804</u> | <u>6,395,840</u> | <u>5,581,777</u> |
| <i>Increase (Decrease) in Net Position</i> | <u>(989,064)</u> | <u>(691,948)</u> | <u>(619,732)</u> | <u>123,936</u> | <u>(1,608,796)</u> | <u>(568,012)</u> |
| <i>Net Position at Beginning of Year</i> | <u>14,581,690</u> | <u>14,140,853</u> | <u>5,909,310</u> | <u>5,891,382</u> | <u>20,491,000</u> | <u>20,032,235</u> |
| <i>Restatement (See Note 3)</i> | <u>0</u> | <u>1,132,785</u> | <u>0</u> | <u>(106,008)</u> | <u>0</u> | <u>1,026,777</u> |
| <i>Net Position at End of Year</i> | <u>\$13,592,626</u> | <u>\$14,581,690</u> | <u>\$5,289,578</u> | <u>\$5,909,310</u> | <u>\$18,882,204</u> | <u>\$20,491,000</u> |

Governmental Activities

Program revenues accounted for 25.1 percent of total revenues for governmental activities in 2014. The amount of program revenues decreased \$79,883 from 2013. This increase is due to the increase in grant funding. Governmental activities services are primarily funded through general revenues, those basically comprising property taxes, income taxes, and State shared revenues. These revenue sources make up 97.1 percent of general revenues and 72.7 percent of total revenues. In total, the City's general revenues increased \$49,714 during 2013. This decrease is due to increases in the City's property tax collections, and intergovernmental revenues, offset by a decrease in income tax collections.

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

The City continues to work very hard to increase the income tax base by being proactive with new businesses and is continuing to strive to provide better service to the taxpayers at the lowest cost possible. The ability of the City to continue to provide quality services without income tax increases rests on the City Management's ability to keep costs in line with revenues.

Governmental expenses increased \$266,947, primarily due to the costs associated with general operations of the City, and increases in Community Development grants. Security of persons and property is a major activity of the City, representing 33.3 percent of the governmental expenses. During 2014, expenses for police and fire operations amounted to \$818,382 and \$485,182, respectively. Expenses decreased \$20,228 in the police department and increased \$1,275 in the fire department. These activities are, for the most part, funded by the municipal income tax. The City attempts to supplement the income and activities of the police department, by applying for additional grant funding, to enable the department to widen the scope of its activity. The police and fire department and its employees continue to work hand in hand with the City to limit costs to the taxpayer.

Transportation activities of the City accounted for 32.8 percent of governmental expenses.

General government, leisure time activities, community environment, and interest and fiscal charges account for the remaining 33.9 percent of governmental expenses.

Business-Type Activities

The City's water and sewer operations account for 100 percent of the expenses for the City's business-type activities and are funded almost entirely from charges for services. During 2014, program revenues were exceeded by program expenses by \$620,834 for all business-type activities.

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

THE CITY'S FUNDS

The City's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$3,533,644 and expenditures and other financing uses of \$3,967,035.

The fund balance of the General Fund decreased \$285,809. The General Fund's unassigned fund balance of \$342,322 represented 17.6 percent of current year expenditures. Most of this balance remains in the City's treasury.

The fund balance of the Street Levy Special Revenue Fund decreased \$1,937. The Street Levy Special Revenue Fund's spendable fund balance of \$116,538 represented 11.9 percent of current year expenditures.

The fund balance of the Grants Special Revenue Fund did not change. The Grants Special Revenue Fund's spendable fund balance of \$51,773 represented 14.3 percent of current year expenditures.

The fund balance of the Capital Improvements Capital Projects Fund decreased \$8,220. The Capital Improvement Fund's spendable fund balance of \$856,121 represented 301.3 percent of current year expenditures.

The net position balance of the Water Enterprise Fund decreased \$525,479. The Water Fund's unrestricted net position balance of \$690,979 represented 47.4 percent of current year expenses.

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

The net position balance of the Sewer Enterprise Fund decreased \$94,253. The Sewer Fund's unrestricted net position balance of \$894,557 represented 87.2 percent of current year expenses.

The net position balance of the Parking Meter Enterprise fund was unchanged.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. From time to time during the year, the fund's budget may be amended as needs or conditions change.

During the course of 2014, the City amended its General Fund budget several times, none were significant. All recommendations for a budget change came from the City Auditor to the Finance Committee of Council for review before going to the whole Council for Ordinance enactment on the change. The allocation of appropriations among the departments and objects within a fund may be modified during the year by the City Auditor without an ordinance of Council. With the General Fund supporting many of our major activities such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or overspending by individual departments.

For the General Fund, final budgeted revenues increased \$53,888 from the original amount. Final budgeted expenditures increased \$71,949 from the original amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014, the City had \$11,871,796 in governmental activities, and \$9,373,708 in business-type activities, invested in land, construction in progress, land improvements, buildings, furniture, fixtures, and equipment, vehicles, and infrastructure. Table 3 shows fiscal year 2014 balances compared to 2013.

(Table 3)
 Capital Assets at December 31, 2013

| | Governmental Activities | | Business-Type Activities | | Total | |
|---------------------------------------|-------------------------|---------------------|--------------------------|--------------------|---------------------|---------------------|
| | 2014 | 2013 Restated | 2014 | 2013 Restated | 2014 | 2013 Restated |
| Land | \$407,263 | \$407,263 | \$155,955 | \$155,955 | \$563,218 | \$563,218 |
| Construction in Progress | 16,896 | 376,192 | 0 | 3,777,094 | 16,896 | 4,153,286 |
| Land Improvements | 1,126,615 | 1,181,405 | 3,639 | 3,992 | 1,130,254 | 1,185,397 |
| Buildings and Improvements | 2,065,179 | 2,145,192 | 0 | 0 | 2,065,179 | 2,145,192 |
| Furniture, Fixtures, and Equipment | 244,569 | 278,161 | 187,834 | 222,506 | 432,403 | 500,667 |
| Vehicles | 337,811 | 409,320 | 95,116 | 82,591 | 432,927 | 491,911 |
| Infrastructure | 7,675,621 | 7,074,263 | 9,356,816 | 5,131,570 | 17,032,437 | 12,205,833 |
| Totals | \$11,873,954 | \$11,871,796 | \$9,799,360 | \$9,373,708 | \$21,673,314 | \$21,245,504 |

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

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

Debt

As of December 31, 2014 and December 31, 2013, the City had total long-term debt of \$5,419,637 and \$7,000,314, respectively, as follows:

(Table 4)
 Outstanding Debt at December 31, 2013

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|-------------------------|------------------|--------------------------|--------------------|--------------------|--------------------|
| | 2014 | 2013 Restated | 2014 | 2013 Restated | 2014 | 2013 Restated |
| OWDA Loans | \$42,490 | \$43,384 | \$5,098,343 | \$4,304,010 | \$5,140,833 | \$4,347,394 |
| OPWC Loans | 719,956 | 24,503 | 1,001,796 | 892,514 | 1,721,752 | 917,017 |
| Bond Anticipation Notes | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital Leases | 73,906 | 89,475 | 0 | 0 | 73,906 | 89,475 |
| Police Pension Liability | 63,823 | 65,751 | 0 | 0 | 63,823 | 65,751 |
| Totals | \$900,175 | \$223,113 | \$6,100,139 | \$5,196,524 | \$7,000,314 | \$5,419,637 |

The City's overall legal debt margin was \$4,305,040 at December 31, 2014. For additional information on the City's debt, see Notes 13 and 14 to the basic financial statements.

CURRENT ISSUES

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

CONTACTING THE CITY AUDITOR'S DEPARTMENT

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Garry Dickerson, Nelsonville City Auditor, 211 Lake Hope Drive, Nelsonville, Ohio 45764.

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City of Nelsonville, Ohio
Statement of Net Position
December 31, 2014

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|---------------------|
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$2,235,981 | \$1,730,373 | \$3,966,354 |
| Accounts Receivable | 0 | 156,559 | 156,559 |
| Intergovernmental Receivable | 104,005 | 0 | 104,005 |
| Income Taxes Receivable | 331,577 | 0 | 331,577 |
| Prepaid Items | 27,167 | 14,160 | 41,327 |
| Property Taxes Receivable | 376,556 | 0 | 376,556 |
| Nondepreciable Capital Assets | 424,159 | 155,955 | 580,114 |
| Depreciable Capital Assets, Net | 11,449,795 | 9,643,405 | 21,093,200 |
| <i>Total Assets</i> | <u>14,949,240</u> | <u>11,700,452</u> | <u>26,649,692</u> |
| Liabilities | | | |
| Accounts Payable | 16,005 | 36,157 | 52,162 |
| Accrued Wages Payable | 32,027 | 18,414 | 50,441 |
| Intergovernmental Payable | 60,564 | 33,513 | 94,077 |
| Accrued Interest Payable | 425 | 55,681 | 56,106 |
| Customer Deposits | 0 | 100,538 | 100,538 |
| Long-Term Liabilities: | | | |
| Due within One Year | 78,456 | 380,583 | 459,039 |
| Due in More than One Year | 882,097 | 5,785,988 | 6,668,085 |
| <i>Total Liabilities</i> | <u>1,069,574</u> | <u>6,410,874</u> | <u>7,480,448</u> |
| Deferred Inflows of Resources | | | |
| Property Taxes | 287,040 | 0 | 287,040 |
| Net Position | | | |
| Net Investment in Capital Assets | 11,037,602 | 3,660,471 | 14,698,073 |
| Restricted for: | | | |
| Streets | 294,893 | 0 | 294,893 |
| Parks | 225,332 | 0 | 225,332 |
| Capital Projects | 898,433 | 0 | 898,433 |
| Police | 16,297 | 0 | 16,297 |
| Other Purposes | 67,851 | 0 | 67,851 |
| Unclaimed Monies | 20,440 | 0 | 20,440 |
| Unrestricted | 1,031,778 | 1,629,107 | 2,660,885 |
| <i>Total Net Position</i> | <u>\$13,592,626</u> | <u>\$5,289,578</u> | <u>\$18,882,204</u> |

See accompanying notes to the basic financial statements.

City of Nelsonville, Ohio
Statement of Activities
For the Year Ended December 31, 2014

| | Expenses | Program Revenues | | |
|---------------------------------------|--------------------|----------------------|--|----------------------------------|
| | | Charges for Services | Operating Grants, Contributions and Interest | Capital Grants and Contributions |
| Governmental Activities | | | | |
| General Government | \$644,734 | \$14,074 | \$5,635 | \$0 |
| Security of Persons and Property: | | | | |
| Police | 818,382 | 40,342 | 0 | 0 |
| Fire | 485,182 | 6,062 | 0 | 0 |
| Transportation | 1,281,640 | 0 | 200,999 | 16,896 |
| Leisure Time Activities | 305,014 | 74,392 | 14,281 | 0 |
| Community Environment | 368,843 | 0 | 361,868 | 0 |
| Interest and Fiscal Charges | 7,125 | 0 | 0 | 0 |
| <i>Total Governmental Activities</i> | <u>3,910,920</u> | <u>134,870</u> | <u>582,783</u> | <u>16,896</u> |
| Business-Type Activities | | | | |
| Water | 1,458,546 | 933,067 | 0 | 0 |
| Sewer | 1,026,374 | 931,019 | 0 | 0 |
| <i>Total Business-Type Activities</i> | <u>2,484,920</u> | <u>1,864,086</u> | <u>0</u> | <u>0</u> |
| <i>Totals</i> | <u>\$6,395,840</u> | <u>\$1,998,956</u> | <u>\$582,783</u> | <u>\$16,896</u> |

General Revenues

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

Total General Revenues

Change in Net Position

Net Position at Beginning of Year - Restated

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 |
|----------------------------|-----------------------------|---------------------|
| (\$625,025) | \$0 | (\$625,025) |
| (778,040) | 0 | (778,040) |
| (479,120) | 0 | (479,120) |
| (1,063,745) | 0 | (1,063,745) |
| (216,341) | 0 | (216,341) |
| (6,975) | 0 | (6,975) |
| (7,125) | 0 | (7,125) |
| <u>(3,176,371)</u> | <u>0</u> | <u>(3,176,371)</u> |
| 0 | (525,479) | (525,479) |
| <u>0</u> | <u>(95,355)</u> | <u>(95,355)</u> |
| <u>0</u> | <u>(620,834)</u> | <u>(620,834)</u> |
| <u>(3,176,371)</u> | <u>(620,834)</u> | <u>(3,797,205)</u> |
| 158,361 | 0 | 158,361 |
| 199,989 | 0 | 199,989 |
| 18,581 | 0 | 18,581 |
| 1,412,325 | 0 | 1,412,325 |
| 247,614 | 0 | 247,614 |
| 86,328 | 0 | 86,328 |
| 8,152 | 0 | 8,152 |
| 55,957 | 1,102 | 57,059 |
| <u>2,187,307</u> | <u>1,102</u> | <u>2,188,409</u> |
| (989,064) | (619,732) | (1,608,796) |
| <u>14,581,690</u> | <u>5,909,310</u> | <u>20,491,000</u> |
| <u>\$13,592,626</u> | <u>\$5,289,578</u> | <u>\$18,882,204</u> |

City of Nelsonville, Ohio

*Balance Sheet
Governmental Funds
December 31, 2014*

| | General | Street Levy | Grants | Capital Improvements | Other Governmental Funds | Total Governmental Funds |
|---|--------------------|------------------|-----------------|-------------------------|--------------------------------|--------------------------------|
| Assets | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$848,653 | \$124,322 | \$51,773 | \$841,733 | \$349,060 | \$2,215,541 |
| Restricted Assets: Cash and Cash Equivalents | 20,440 | 0 | 0 | 0 | 0 | 20,440 |
| Receivables: | | | | | | |
| Property Taxes | 192,227 | 164,984 | 0 | 0 | 19,345 | 376,556 |
| Income Taxes | 274,877 | 0 | 0 | 56,700 | 0 | 331,577 |
| Intergovernmental | 37,721 | 0 | 0 | 0 | 66,284 | 104,005 |
| Prepaid Items | 21,756 | 438 | 0 | 0 | 4,973 | 27,167 |
| <i>Total Assets</i> | <u>\$1,395,674</u> | <u>\$289,744</u> | <u>\$51,773</u> | <u>\$898,433</u> | <u>\$439,662</u> | <u>\$3,075,286</u> |
| Liabilities | | | | | | |
| Accounts Payable | 12,449 | 2,144 | 0 | 0 | 1,412 | 16,005 |
| Accrued Wages Payable | 27,126 | 4,762 | 0 | 0 | 139 | 32,027 |
| Intergovernmental Payable | 51,157 | 878 | 0 | 0 | 8,529 | 60,564 |
| <i>Total Liabilities</i> | <u>90,732</u> | <u>7,784</u> | <u>0</u> | <u>0</u> | <u>10,080</u> | <u>108,596</u> |
| Deferred Inflows of Resources | | | | | | |
| Property Taxes | 146,530 | 125,763 | 0 | 0 | 14,747 | 287,040 |
| Unavailable Revenue | 275,856 | 39,221 | 0 | 42,312 | 48,490 | 405,879 |
| <i>Total Deferred Inflows of Resources</i> | <u>422,386</u> | <u>164,984</u> | <u>0</u> | <u>42,312</u> | <u>63,237</u> | <u>692,919</u> |
| Fund Balances | | | | | | |
| Nonspendable: | | | | | | |
| Prepaid Items | 21,756 | 438 | 0 | 0 | 4,973 | 27,167 |
| Unclaimed Monies | 20,440 | 0 | 0 | 0 | 0 | 20,440 |
| Restricted | 0 | 116,538 | 51,773 | 856,121 | 361,372 | 1,385,804 |
| Assigned | 498,038 | 0 | 0 | 0 | 0 | 498,038 |
| Unassigned | 342,322 | 0 | 0 | 0 | 0 | 342,322 |
| <i>Total Fund Balances</i> | <u>882,556</u> | <u>116,976</u> | <u>51,773</u> | <u>856,121</u> | <u>366,345</u> | <u>2,273,771</u> |
| <i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i> | <u>\$1,395,674</u> | <u>\$289,744</u> | <u>\$51,773</u> | <u>\$898,433</u> | <u>\$439,662</u> | <u>\$3,075,286</u> |

See accompanying notes to the basic financial statements.

City of Nelsonville, Ohio
*Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
December 31, 2014*

| | | |
|--|-----------|---------------------|
| Total Governmental Fund Balances | | \$2,273,771 |
| <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. | | 11,873,954 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds: | | |
| Property Taxes | 89,516 | |
| Income Taxes | 247,439 | |
| Intergovernmental Revenues | 68,924 | 405,879 |
| Long-term liabilities, accrued interest, and vacation benefits that are not due and payable in the current period and therefore are not reported in the funds: | | |
| Police Pension Payable | (63,823) | |
| Loans Payable | (762,446) | |
| Accrued Interest Payable | (425) | |
| Capital Leases Payable | (73,906) | |
| Compensated Absences | (60,378) | (960,978) |
| Net Position of Governmental Activities | | \$13,592,626 |

See accompanying notes to the basic financial statements.

City of Nelsonville, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2014

| | General | Street Levy | Grants | Capital Improvements | Other Governmental Funds | Total Governmental Funds |
|---|------------------|------------------|-----------------|-------------------------|--------------------------------|--------------------------------|
| Revenues | | | | | | |
| Property Taxes | \$158,188 | \$225,738 | \$0 | \$0 | \$13,983 | \$397,909 |
| Income Taxes | 1,296,297 | 0 | 0 | 223,681 | 0 | 1,519,978 |
| Permissive Motor Vehicle License Tax | 0 | 0 | 0 | 0 | 12,942 | 12,942 |
| Intergovernmental | 83,247 | 52,173 | 361,868 | 16,896 | 144,417 | 658,601 |
| Charges for Services | 10,042 | 0 | 0 | 0 | 74,392 | 84,434 |
| Licenses and Permits | 10,259 | 0 | 0 | 0 | 0 | 10,259 |
| Fines and Forfeitures | 35,435 | 0 | 0 | 0 | 4,742 | 40,177 |
| Interest | 8,152 | 0 | 0 | 0 | 478 | 8,630 |
| Gifts and Donations | 5,635 | 0 | 0 | 0 | 5,495 | 11,130 |
| Other | 46,487 | 0 | 0 | 3,957 | 5,513 | 55,957 |
| Total Revenues | 1,653,742 | 277,911 | 361,868 | 244,534 | 261,962 | 2,800,017 |
| Expenditures | | | | | | |
| Current: | | | | | | |
| General Government | 615,788 | 0 | 0 | 0 | 0 | 615,788 |
| Security of Persons and Property: | | | | | | |
| Police | 783,266 | 0 | 0 | 0 | 2,948 | 786,214 |
| Fire | 428,598 | 0 | 0 | 0 | 0 | 428,598 |
| Transportation | 80,443 | 976,818 | 0 | 0 | 200,135 | 1,257,396 |
| Leisure Time Activities | 0 | 0 | 0 | 0 | 198,386 | 198,386 |
| Community Environment | 0 | 0 | 361,868 | 0 | 0 | 361,868 |
| Capital Outlay | 0 | 0 | 0 | 257,398 | 0 | 257,398 |
| Debt Service: | | | | | | |
| Principal Retirement | 23,407 | 0 | 0 | 23,453 | 2,827 | 49,687 |
| Interest and Fiscal Charges | 3,049 | 0 | 0 | 3,194 | 457 | 6,700 |
| Total Expenditures | 1,934,551 | 976,818 | 361,868 | 284,045 | 404,753 | 3,962,035 |
| Excess of Revenues Over (Under) Expenditures | (280,809) | (698,907) | 0 | (39,511) | (142,791) | (1,162,018) |
| Other Financing Sources (Uses) | | | | | | |
| Transfers In | 0 | 0 | 0 | 0 | 5,000 | 5,000 |
| Proceeds of OPWC Loans | 0 | 696,970 | 0 | 0 | 0 | 696,970 |
| Proceeds of OWDA Loans | 0 | 0 | 0 | 0 | 416 | 416 |
| Inception of Capital Lease | 0 | 0 | 0 | 31,291 | 0 | 31,291 |
| Transfers Out | (5,000) | 0 | 0 | 0 | 0 | (5,000) |
| Total Other Financing Sources (Uses) | (5,000) | 696,970 | 0 | 31,291 | 5,416 | 728,677 |
| Net Change in Fund Balance | (285,809) | (1,937) | 0 | (8,220) | (137,375) | (433,341) |
| Fund Balances at Beginning of Year- Restated | 1,168,365 | 118,913 | 51,773 | 864,341 | 503,720 | 2,707,112 |
| Fund Balances at End of Year | \$882,556 | \$116,976 | \$51,773 | \$856,121 | \$366,345 | \$2,273,771 |

See accompanying notes to the basic financial statements.

City of Nelsonville, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2014*

Net Change in Fund Balances - Total Governmental Funds (\$433,341)

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

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

| | | |
|--------------------------|-----------|-------|
| Capital Assets Additions | 782,327 | |
| Depreciation Expense | (780,169) | 2,158 |

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

| | | |
|----------------------------|----------|---------|
| Property Taxes | (20,978) | |
| Income Taxes | 139,961 | |
| Intergovernmental Revenues | 2,856 | 121,839 |

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

| | | |
|------------------------|--------|--------|
| OPWC Loans Payable | 1,517 | |
| OWDA Loan Payable | 1,310 | |
| Capital Leases Payable | 46,860 | |
| Police Pension Payable | 1,928 | 51,615 |

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

(425)

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

| | | |
|-----------------------------|-----------|-----------|
| Inception of Capital Leases | (31,291) | |
| Proceeds of OPWC Loans | (696,970) | |
| Proceeds of OWDA Loans | (416) | (728,677) |

Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(2,233)

Change in Net Position of Governmental Activities

(\$989,064)

See accompanying notes to the basic financial statements.

City of Nelsonville, Ohio
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
General Fund
For the Year Ended December 31, 2014

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|--|-------------------------|-------------------------|-------------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues | | | | |
| Property Taxes | \$152,100 | \$146,323 | \$158,188 | \$11,865 |
| Income Taxes | 1,245,000 | 1,269,900 | 1,372,876 | 102,976 |
| Intergovernmental | 79,755 | 76,811 | 83,040 | 6,229 |
| Charges for Services | 2,800 | 9,289 | 10,042 | 753 |
| Licenses and Permits | 8,500 | 9,490 | 10,259 | 769 |
| Fines and Forfeitures | 40,200 | 32,777 | 35,435 | 2,658 |
| Interest | 8,500 | 7,541 | 8,152 | 611 |
| Contributions and Donations | 5,635 | 5,635 | 5,635 | 0 |
| Other | 3,965 | 42,577 | 46,487 | 3,910 |
| <i>Total Revenues</i> | <u>1,546,455</u> | <u>1,600,343</u> | <u>1,730,114</u> | <u>129,771</u> |
| Expenditures | | | | |
| Current: | | | | |
| General Government | 688,142 | 743,870 | 633,781 | 110,089 |
| Security of Persons and Property: | | | | |
| Police | 818,900 | 824,241 | 779,484 | 44,757 |
| Fire | 443,987 | 454,867 | 420,351 | 34,516 |
| Transportation | 78,000 | 78,000 | 80,443 | (2,443) |
| <i>Total Expenditures</i> | <u>2,029,029</u> | <u>2,100,978</u> | <u>1,914,059</u> | <u>186,919</u> |
| <i>Excess of Revenues Under Expenditures</i> | (482,574) | (500,635) | (183,945) | 316,690 |
| Other Financing Uses | | | | |
| Transfer Out | (5,000) | (5,000) | (5,000) | 0 |
| <i>Total Other Financing Sources</i> | <u>(5,000)</u> | <u>(5,000)</u> | <u>(5,000)</u> | <u>0</u> |
| <i>Net Change in Fund Balance</i> | (487,574) | (505,635) | (188,945) | 316,690 |
| <i>Fund Balance at Beginning of Year- Restated</i> | <u>1,058,038</u> | <u>1,058,038</u> | <u>1,058,038</u> | <u>0</u> |
| Prior Year Encumbrances Appropriated | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| <i>Fund Balance at End of Year</i> | <u><u>\$570,464</u></u> | <u><u>\$552,403</u></u> | <u><u>\$869,093</u></u> | <u><u>\$316,690</u></u> |

See accompanying notes to the basic financial statements.

City of Nelsonville, Ohio
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Street Levy Fund
For the Year Ended December 31, 2014

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|---------------------------|-------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Property Taxes | \$213,500 | \$214,520 | \$225,738 | \$11,218 |
| Intergovernmental | 28,000 | 28,000 | 52,173 | 24,173 |
| <i>Total Revenues</i> | <u>241,500</u> | <u>242,520</u> | <u>277,911</u> | <u>35,391</u> |
| Expenditures | | | | |
| Current: | | | | |
| Transportation | 255,000 | 363,034 | 253,801 | 109,233 |
| Capital Outlay | 0 | 647,986 | 720,779 | (72,793) |
| <i>Total Expenditures</i> | <u>255,000</u> | <u>1,011,020</u> | <u>974,580</u> | <u>36,440</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | (13,500) | (768,500) | (696,669) | 71,831 |
| Other Financing Sources | | | | |
| Proceeds of OPWC Loans | 500,000 | 500,000 | 696,970 | 196,970 |
| <i>Total Other Financing Sources</i> | <u>500,000</u> | <u>500,000</u> | <u>696,970</u> | <u>196,970</u> |
| <i>Net Change in Fund Balance</i> | 486,500 | (268,500) | 301 | 268,801 |
| <i>Fund Balance at Beginning of Year</i> | <u>124,021</u> | <u>124,021</u> | <u>124,021</u> | <u>0</u> |
| <i>Fund Balance at End of Year</i> | <u><u>\$610,521</u></u> | <u><u>(\$144,479)</u></u> | <u><u>\$124,322</u></u> | <u><u>\$268,801</u></u> |

See accompanying notes to the basic financial statements.

City of Nelsonville, Ohio
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Grants Fund
For the Year Ended December 31, 2014

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|---|-------------------------|------------------------|------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Intergovernmental | <u>\$300,000</u> | <u>\$365,000</u> | <u>\$361,868</u> | <u>(\$3,132)</u> |
| Expenditures | | | | |
| Current: | | | | |
| Community and Economic Development | <u>300,000</u> | <u>365,000</u> | <u>361,868</u> | <u>3,132</u> |
| <i>Excess of Revenues Over Expenditures</i> | 0 | 0 | 0 | 0 |
| <i>Fund Balance at Beginning of Year</i> | <u>51,773</u> | <u>51,773</u> | <u>51,773</u> | <u>0</u> |
| <i>Fund Balance at End of Year</i> | <u><u>\$51,773</u></u> | <u><u>\$51,773</u></u> | <u><u>\$51,773</u></u> | <u><u>\$0</u></u> |

See accompanying notes to the basic financial statements

City of Nelsonville, Ohio
Statement of Fund Net Position
Enterprise Funds
December 31, 2014

| | Water | Sewer | Parking Meter | Total Enterprise Funds |
|--|--------------------|--------------------|------------------|------------------------------|
| Assets | | | | |
| Current: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$688,292 | \$897,972 | \$43,571 | \$1,629,835 |
| Restricted Assets: | | | | |
| Customer Deposits | 60,310 | 40,228 | 0 | 100,538 |
| Accounts Receivable | 83,612 | 72,947 | 0 | 156,559 |
| Prepaid Items | 7,786 | 6,374 | 0 | 14,160 |
| <i>Total Current Assets</i> | <u>840,000</u> | <u>1,017,521</u> | <u>43,571</u> | <u>1,901,092</u> |
| Noncurrent: | | | | |
| Nondepreciable Capital Assets | 36,497 | 119,458 | 0 | 155,955 |
| Depreciable Capital Assets, Net | 6,819,430 | 2,823,975 | 0 | 9,643,405 |
| <i>Total Noncurrent Assets</i> | <u>6,855,927</u> | <u>2,943,433</u> | <u>0</u> | <u>9,799,360</u> |
| <i>Total Assets</i> | <u>7,695,927</u> | <u>3,960,954</u> | <u>43,571</u> | <u>11,700,452</u> |
| Liabilities | | | | |
| Current: | | | | |
| Accounts Payable | 7,831 | 28,326 | 0 | 36,157 |
| Accrued Wages Payable | 11,026 | 7,388 | 0 | 18,414 |
| Intergovernmental Payable | 17,028 | 16,485 | 0 | 33,513 |
| Accrued Interest Payable | 47,641 | 8,040 | 0 | 55,681 |
| OWDA Loans Payable | 209,240 | 105,590 | 0 | 314,830 |
| OPWC Loans Payable | 33,250 | 9,453 | 0 | 42,703 |
| Compensated Absences Payable | 14,045 | 9,005 | 0 | 23,050 |
| Customer Deposits Payable | 60,310 | 40,228 | 0 | 100,538 |
| <i>Total Current Liabilities</i> | <u>400,371</u> | <u>224,515</u> | <u>0</u> | <u>624,886</u> |
| Long-Term: | | | | |
| OWDA Loans Payable | 4,134,706 | 648,807 | 0 | 4,783,513 |
| OPWC Loans Payable | 825,289 | 133,804 | 0 | 959,093 |
| Compensated Absences Payable | 29,890 | 13,492 | 0 | 43,382 |
| <i>Total Long-Term Liabilities</i> | <u>4,989,885</u> | <u>796,103</u> | <u>0</u> | <u>5,785,988</u> |
| <i>Total Liabilities</i> | <u>5,390,256</u> | <u>1,020,618</u> | <u>0</u> | <u>6,410,874</u> |
| Net Position | | | | |
| Net Investment in Capital Assets | 1,614,692 | 2,045,779 | 0 | 3,660,471 |
| Unrestricted | 690,979 | 894,557 | 43,571 | 1,629,107 |
| <i>Total Net Position</i> | <u>\$2,305,671</u> | <u>\$2,940,336</u> | <u>\$43,571</u> | <u>\$5,289,578</u> |

See accompanying notes to the basic financial statements.

City of Nelsonville, Ohio
*Statement of Revenues, Expenses
and Changes in Fund Net Position
Enterprise Funds
For the Year December 31, 2014*

| | Water | Sewer | Parking Meter | Total Enterprise Funds |
|--|---------------------------|---------------------------|------------------------|------------------------------|
| Operating Revenues | | | | |
| Charges for Services | \$933,067 | \$931,019 | \$0 | \$1,864,086 |
| Other Operating Revenues | 0 | 1,102 | 0 | 1,102 |
| <i>Total Operating Revenues</i> | <u>933,067</u> | <u>932,121</u> | <u>0</u> | <u>1,865,188</u> |
| Operating Expenses | | | | |
| Salaries and Wages | 402,290 | 327,717 | 0 | 730,007 |
| Fringe Benefits | 171,051 | 112,630 | 0 | 283,681 |
| Contractual Services | 145,358 | 212,967 | 0 | 358,325 |
| Materials and Supplies | 220,842 | 104,090 | 0 | 324,932 |
| Depreciation | 178,697 | 186,507 | 0 | 365,204 |
| Capital Outlay | 0 | 40,087 | 0 | 40,087 |
| Other | 0 | 25,629 | 0 | 25,629 |
| <i>Total Operating Expenses</i> | <u>1,118,238</u> | <u>1,009,627</u> | <u>0</u> | <u>2,127,865</u> |
| <i>Operating Income</i> | (185,171) | (77,506) | 0 | (262,677) |
| Non-Operating Expenses | | | | |
| Loss on Disposal of Capital Assets | (289,999) | 0 | 0 | (289,999) |
| Interest and Fiscal Charges | (50,309) | (16,747) | 0 | (67,056) |
| <i>Change in Net Position</i> | (525,479) | (94,253) | 0 | (619,732) |
| <i>Net Position at Beginning of Year- Restated</i> | <u>2,831,150</u> | <u>3,034,589</u> | <u>43,571</u> | <u>5,909,310</u> |
| <i>Net Position at End of Year</i> | <u><u>\$2,305,671</u></u> | <u><u>\$2,940,336</u></u> | <u><u>\$43,571</u></u> | <u><u>\$5,289,578</u></u> |

See accompanying notes to the basic financial statements.

City of Nelsonville, Ohio
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2014

| | Water | Sewer | Nonmajor | Total Enterprise Funds |
|---|-------------------------|-------------------------|------------------------|------------------------------|
| Increase (Decrease) in Cash and Cash Equivalents | | | | |
| Cash Flows from Operating Activities: | | | | |
| Cash Received from Customers | \$1,025,914 | \$1,010,323 | \$0 | \$2,036,237 |
| Cash Payments for Employee Services and Benefits | (557,301) | (439,179) | 0 | (996,480) |
| Cash Payments to Suppliers for Goods and Services | (365,590) | (329,566) | 0 | (695,156) |
| Other Operating Revenues | 0 | 1,102 | 0 | 1,102 |
| Customer Deposits Received | 7,590 | 5,060 | 0 | 12,650 |
| Other Operating Expenses | 0 | (25,629) | 0 | (25,629) |
| Customer Deposits Returned | (7,410) | (4,918) | 0 | (12,328) |
| <i>Net Cash Provided by Operating Activities</i> | <u>103,203</u> | <u>217,193</u> | <u>0</u> | <u>320,396</u> |
| Cash Flows from Capital and Related Financing Activities: | | | | |
| Acquisition of Capital Assets | (1,063,911) | (16,944) | 0 | (1,080,855) |
| Proceeds from OWDA Loans | 910,047 | 1,179 | 0 | 911,226 |
| Proceeds from OPWC Loans | 128,653 | 0 | 0 | 128,653 |
| Principal Paid on OWDA Loans | (17,120) | (99,773) | 0 | (116,893) |
| Interest Paid on OWDA Loans | (4,056) | (16,585) | 0 | (20,641) |
| Principal Paid on OPWC Loans | (9,918) | (9,453) | 0 | (19,371) |
| <i>Net Cash Used for Capital and Related Financing Activities</i> | <u>(56,305)</u> | <u>(141,576)</u> | <u>0</u> | <u>(197,881)</u> |
| <i>Net Increase in Cash and Cash Equivalents</i> | 46,898 | 75,617 | 0 | 122,515 |
| <i>Cash and Cash Equivalents at Beginning of Year</i> | <u>701,704</u> | <u>862,583</u> | <u>43,571</u> | <u>1,607,858</u> |
| <i>Cash and Cash Equivalents at End of Year</i> | <u><u>\$748,602</u></u> | <u><u>\$938,200</u></u> | <u><u>\$43,571</u></u> | <u><u>\$1,730,373</u></u> |
| Reconciliation of Operating Loss to Net Cash Provided by Operating Activities: | | | | |
| Operating Loss | (\$185,171) | (\$77,506) | \$0 | (\$262,677) |
| <i>Adjustments:</i> | | | | |
| Depreciation | 178,697 | 186,507 | 0 | 365,204 |
| (Increase) Decrease in Assets: | | | | |
| Accounts Receivable | 92,847 | 79,304 | 0 | 172,151 |
| Prepays Items | 9,444 | (1,587) | 0 | 7,857 |
| Increase (Decrease) in Liabilities: | | | | |
| Accounts Payable | 610 | 27,578 | 0 | 28,188 |
| Accrued Wages Payable | 683 | (22) | 0 | 661 |
| Compensated Absences Payable | 4,147 | 3,772 | 0 | 7,919 |
| Customer Deposits | 180 | 142 | 0 | 322 |
| Intergovernmental Payable | 1,766 | (995) | 0 | 771 |
| <i>Net Cash Provided by Operating Activities</i> | <u><u>\$103,203</u></u> | <u><u>\$217,193</u></u> | <u><u>\$0</u></u> | <u><u>\$320,396</u></u> |

See accompanying notes to the basic financial statements.

City of Nelsonville, Ohio
Statement of Assets and Liabilities
Agency Funds
December 31, 2014

| | <u>Water</u> |
|--|-----------------------|
| Assets | |
| Cash and Cash Equivalents in Segregated Accounts | <u><u>\$4,872</u></u> |
| Liabilities | |
| Intergovernmental Payable | \$3,002 |
| Undistributed Monies | <u>1,870</u> |
| <i>Total Liabilities</i> | <u><u>\$4,872</u></u> |

See accompanying notes to the basic financial statements.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 1 - Description of City and Reporting Entity

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

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

Reporting Entity

The financial reporting entity consists of the primary government, component units, and other governmental organizations included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City. For the City, this includes the departments that provide various services including police and fire protection, recreation (including parks), planning and zoning, street maintenance and repair, water and water pollution control, and general administrative services. These activities are directly controlled by the Council through the budgetary process and by the City Auditor and the City Manager through administrative and managerial requirements and procedures.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent upon the City in that the City approves the budget, the issuance of debt, or the levying of taxes and there is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. No separate government units meet the criteria for inclusion as a component unit.

The City participates in the Athens County Regional Planning Commission and the Athens County Economic Development Council, which are defined as jointly governed organizations, and the Ohio Municipal League Workers' Compensation Group Rating Program, which is defined as an insurance purchasing pool. These organizations are presented in Notes 15 and 16 to the Basic Financial Statements.

Note 2 - Summary of Significant Accounting Policies

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

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 2 - Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except fiduciary funds. The statements distinguish between those activities of the City that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges).

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

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

B. Fund Accounting

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

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

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

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

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 2 - Summary of Significant Accounting Policies (Continued)

Grants Fund The Grants Fund is used to account for all activity related to the City's Community Development Block and Community Housing Improvement Programs.

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

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

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as either enterprise or internal service. The City's proprietary funds are all classified as enterprise funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

Water Fund The Water Fund is used to account for the revenues generated from the charges for distribution of water to the residential and commercial users of the City.

Sewer Fund The Sewer Fund is used to account for the revenues generated from the charges for sanitary sewer services provided to the residential and commercial users of the City.

The nonmajor Parking Meter Fund is used to account for the revenues derived from parking meters and fines within the City.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. There are four categories of fiduciary funds: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equals liabilities) and do not involve measurement of results of operations. The City's only fiduciary fund is an agency fund. The City's agency fund accounts for mayor's court collections that are distributed to various local governments.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economics resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net position. The statement of activities accounts for increases (i.e., revenues) and decreases (i.e., expenditures) in total net position.

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

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 2 - Summary of Significant Accounting Policies (Continued)

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

D. Basis of Accounting

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

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: municipal income taxes, charges for services, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), interest, grants, and fees.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent 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.

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 and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 2 - Summary of Significant Accounting Policies (Continued)

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, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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

E. Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriation resolution is Council's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by Council. The legal level of control has been established by Council at the fund and department level. The City Auditor has been authorized to allocate appropriations to the function and object level within each department, except for personal services which must be approved by Council.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the City Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate in effect when final appropriations for the year were adopted by Council.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriation for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as final budgeted amounts represent the final appropriation amounts passed by Council during the year.

F. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During 2014, investments were limited to nonnegotiable certificates of deposits and a money market account, both of which are reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest is credited to the General Fund and the Street Construction and Maintenance, State Highway, and Permissive Tax Special Revenue Funds. Interest revenue credited to the General Fund during 2014 amounted to \$8,152, which includes \$6,288 assigned from other City funds.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 2 - Summary of Significant Accounting Policies (Continued)

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

G. 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 at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

H. Restricted Assets

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

I. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the enterprise funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market value as of the date received. The City maintains a capitalization threshold of one thousand five hundred dollars. The City's infrastructure consists of U.S. and State roads which the City maintains, City streets, street signals, and water and sewer systems. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

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

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 2 - Summary of Significant Accounting Policies (Continued)

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

J. *Compensated Absences*

The City accrues vacation benefits as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees who have worked beyond their one year probationary period.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated, unused sick leave for all City employees with at least ten years of service.

K. *Contributions of Capital*

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

L. *Fund Balance*

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

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

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

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

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 2 - Summary of Significant Accounting Policies (Continued)

Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute.

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

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

M. Interfund Activity

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

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

N. Accrued Liabilities and Long-Term Liabilities

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

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

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 2 - Summary of Significant Accounting Policies (Continued)

O. Estimates

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

P. 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 constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include activities related to the Mayor's Court, Grants, and the Baird Trust.

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

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for sewer and water utilities. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting the definition are reported as nonoperating.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of City Council and that are either unusual in nature or infrequent in occurrence.

Note 3 - Restatement of Prior Year Balances

During 2014, the City updated its Capital Asset listing and identified a large number of items that were still being carried that had been previously disposed. It was also determined that a road project from 2012 was omitted. Also, in 2014 the City discontinued receipting a portion of the collection of income taxes in the Aquatic Center Special Revenue Fund. The 2013 receivable for income taxes in the Aquatic Center Special Revenue Fund should have been reported in the General Fund. Further, the City identified a \$15,941 reconciling item related to a changeover in accounting systems in past years that was removed from the system balances.

These issues, along with the redistribution of long term debt, resulted in the following restatements for the year ended December 31, 2013:

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

| | General | Street Levy | Grants | Capital Improvements | Other Governmental Funds |
|---|-----------------------------|--------------------|--------------------|-------------------------|--------------------------------|
| Fund Balance at | | | | | |
| December 31, 2013 | \$1,127,183 | \$118,913 | \$51,773 | \$864,341 | \$528,961 |
| Income Taxes Receivable | 25,241 | 0 | 0 | 0 | (25,241) |
| Cash and Cash Equivalents | 15,941 | 0 | 0 | 0 | 0 |
| Adjusted Fund Balance at December 31, 2013 | <u>\$1,168,365</u> | <u>\$118,913</u> | <u>\$51,773</u> | <u>\$864,341</u> | <u>\$503,720</u> |
| Governmental Activities: | Net Investment in | | | | |
| | Capital Assets | Restricted | Unrestricted | Total | |
| Net Position at | | | | | |
| December 31, 2013 | \$10,597,590 | \$1,711,456 | \$1,139,859 | \$13,448,905 | |
| Capital Assets | 1,139,968 | 0 | 0 | 1,139,968 | |
| Long-Term Debt | (23,124) | 0 | 0 | (23,124) | |
| Cash and Cash Equivalents | 0 | 0 | 15,941 | 15,941 | |
| Income Taxes | 0 | (40,610) | 40,610 | 0 | |
| Adjusted Net Position at December 31, 2013 | <u>\$11,714,434</u> | <u>\$1,670,846</u> | <u>\$1,180,469</u> | <u>\$14,581,690</u> | |
| Business Type Activities: | Net Investment in | | | | |
| Water Fund: | Capital Assets | Unrestricted | Total | | |
| Net Position at | | | | | |
| December 31, 2013 | \$2,176,731 | \$761,261 | \$2,937,992 | | |
| Capital Assets | (116,523) | 0 | (116,523) | | |
| Long-Term Debt | 9,681 | 0 | 9,681 | | |
| Adjusted Net Position at December 31, 2013 | <u>\$2,069,889</u> | <u>\$761,261</u> | <u>\$2,831,150</u> | | |
| Sewer Fund: | Net Investment in | | | | |
| | Capital Assets | Unrestricted | Total | | |
| Net Position at | | | | | |
| December 31, 2013 | \$2,106,461 | \$927,294 | \$3,033,755 | | |
| Capital Assets | (12,609) | 0 | (12,609) | | |
| Long-Term Debt | 13,443 | 0 | 13,443 | | |
| Adjusted Net Position at December 31, 2013 | <u>\$2,107,295</u> | <u>\$927,294</u> | <u>\$3,034,589</u> | | |
| | Other Non-Major Enterprise: | | 43,571 | | |
| | Total Net Position: | | \$5,909,310 | | |

Note 4 - Fund Balances

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

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 4 - Fund Balances (Continued)

| Fund Balances | General Fund | Street Levy | Grants | Capital Improvements | Other Governmental Funds | Total |
|---------------------------------|------------------|------------------|-----------------|-------------------------|--------------------------------|--------------------|
| Nonspendable: | | | | | | |
| Unclaimed Monies | \$20,440 | \$0 | \$0 | \$0 | \$0 | \$20,440 |
| Prepays | 21,756 | 438 | 0 | 0 | 4,973 | 27,167 |
| <i>Total Nonspendable</i> | <u>42,196</u> | <u>438</u> | <u>0</u> | <u>0</u> | <u>4,973</u> | <u>47,607</u> |
| Restricted for: | | | | | | |
| Street Improvements | 0 | 116,538 | 0 | 0 | 109,278 | \$225,816 |
| Community Development | 0 | 0 | 51,773 | 0 | | 51,773 |
| Law Enforcement | 0 | 0 | 0 | 0 | 527 | 527 |
| Drug and Alcohol Enforcement | 0 | 0 | 0 | 0 | 15,770 | 15,770 |
| Recreation | 0 | 0 | 0 | 0 | 219,719 | 219,719 |
| Other Purposes | 0 | 0 | 0 | 0 | 16,078 | 16,078 |
| Capital Improvements | 0 | 0 | 0 | 856,121 | 0 | 856,121 |
| <i>Total Restricted</i> | <u>0</u> | <u>116,538</u> | <u>51,773</u> | <u>856,121</u> | <u>361,372</u> | <u>1,385,804</u> |
| Assigned to: | | | | | | |
| Year 2015 Appropriations | 498,038 | 0 | 0 | 0 | 0 | 498,038 |
| Unassigned: | 342,322 | 0 | 0 | 0 | 0 | 342,322 |
| <i>Total Fund Balances</i> | <u>\$882,556</u> | <u>\$116,976</u> | <u>\$51,773</u> | <u>\$856,121</u> | <u>\$366,345</u> | <u>\$2,273,771</u> |

Note 5 - Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP Basis), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Budget Basis) presented for the General Fund and each major special revenue fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Prepaid items represent amounts received but not included as revenues on the budget basis operating statements. These amounts are included as revenues on the GAAP basis operating statement.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 5 - Budgetary Basis of Accounting (Continued)

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

| Net Change in Fund Balance | | |
|---------------------------------|--------------------|----------------|
| | General | Street Levy |
| GAAP Basis | (\$285,809) | (\$1,937) |
| Revenue Accruals | 76,372 | 0 |
| Expenditure Accruals | 19,776 | 2,210 |
| Beginning of Year Prepaid Items | (21,040) | (410) |
| End of Year Prepaid Items | 21,756 | 438 |
| Budget Basis | <u>(\$188,945)</u> | <u>\$301</u> |

Note 6 - Deposits and Investments

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

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

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

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

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 6 - Deposits and Investments (Continued)

3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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

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

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying amount of the City's deposits was \$3,971,226 and the bank balance was \$4,093,486. Of the bank balance, \$750,000 was covered by Federal depository insurance and \$3,343,486 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Note 7 - Receivables

Receivables at December 31, 2014, consisted primarily of municipal income taxes, property taxes, accounts (billings for user fees including unbilled utility services), and intergovernmental receivables arising from entitlements and shared revenues.

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

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 7 – Receivables (Continued)

A. Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2014 for real and public utility property taxes represents collections of 2013 taxes.

2014 real property taxes were levied after October 1, 2014, on the assessed value as of January 1, 2014, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2014 real property taxes are collected in and intended to finance 2015.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2014 public utility property taxes which became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2014, was \$7.00 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2014 property tax receipts were based are as follows:

| | |
|----------------------------------|---------------------|
| Real Property | \$45,401,930 |
| Public Utility Personal Property | <u>3,563,710</u> |
| Total | <u>\$48,965,640</u> |

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

Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2014, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2014 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

B. Income Taxes

The City levies a municipal income tax of 1.75 percent on substantially all earned income arising from employment, residency, or business activities within the City as well as income of residents earned outside of the City; however, the City allows a credit for income taxes paid to another municipality up to the full amount of the tax owed.

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

Income tax proceeds are to be used for the purposes of general municipal operations, maintenance of property and equipment, the purchase of new equipment, extension and enlargement of municipal services and facilities, and capital improvements of the City of Nelsonville.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 7 - Receivables (Continued)

C. Intergovernmental Receivable

A summary of intergovernmental receivables follows:

Governmental Activities:

| | |
|--|--------------------------------|
| Gasoline Tax | \$53,221 |
| Local Government | 37,511 |
| Motor Vehicle License Tax | 12,517 |
| Miscellaneous | <u>756</u> |
| Total Intergovernmental Receivables | <u><u>\$104,005</u></u> |

Note 8 - Capital Assets

Capital asset activity for the year ended December 31, 2014, was as follows:

| | Balance at 12/31/13 <i>as Restated</i> | Additions | Deletions | Balance at 12/31/14 |
|---|--|---------------------------|---------------------------|----------------------------|
| Governmental Activities: | | | | |
| Capital Assets not being Depreciated: | | | | |
| Land | \$407,263 | \$0 | \$0 | \$407,263 |
| Construction in Progress | <u>376,192</u> | <u>737,674</u> | <u>1,096,970</u> | <u>16,896</u> |
| Total Capital Assets not being Depreciated | <u>783,455</u> | <u>737,674</u> | <u>1,096,970</u> | <u>424,159</u> |
| Depreciable Capital Assets: | | | | |
| Land Improvements | 1,489,425 | 0 | 0 | 1,489,425 |
| Buildings and Improvements | 3,070,507 | 0 | 0 | 3,070,507 |
| Furniture, Fixtures, and Equipment | 728,650 | 0 | 0 | 728,650 |
| Vehicles | 1,384,770 | 33,383 | 0 | 1,418,153 |
| U.S and State Roads | 8,446,516 | 0 | 0 | 8,446,516 |
| City Streets | 6,198,884 | 1,108,240 | 0 | 7,307,124 |
| Street Signals | <u>665,975</u> | <u>0</u> | <u>0</u> | <u>665,975</u> |
| Total Depreciable Capital Assets | <u>21,984,727</u> | <u>1,141,623</u> | <u>0</u> | <u>23,126,350</u> |
| Less Accumulated Depreciation: | | | | |
| Land Improvements | (308,020) | (54,790) | 0 | (362,810) |
| Buildings and Improvements | (925,315) | (80,013) | 0 | (1,005,328) |
| Furniture, Fixtures, and Equipment | (450,489) | (33,592) | 0 | (484,081) |
| Vehicles | (975,450) | (104,892) | 0 | (1,080,342) |
| U.S. and State Roads | (3,866,219) | (281,551) | 0 | (4,147,770) |
| City Streets | (3,706,408) | (225,101) | 0 | (3,931,509) |
| Street Signals | <u>(664,485)</u> | <u>(230)</u> | <u>0</u> | <u>(664,715)</u> |
| Total Accumulated Depreciation | <u>(10,896,386)</u> | <u>(780,169) *</u> | <u>0</u> | <u>(11,676,555)</u> |
| Total Capital Assets being Depreciated, Net | <u>11,088,341</u> | <u>361,454</u> | <u>0</u> | <u>11,449,795</u> |
| Governmental Activities Capital Assets, Net | <u><u>\$11,871,796</u></u> | <u><u>\$1,099,128</u></u> | <u><u>\$1,096,970</u></u> | <u><u>\$11,873,954</u></u> |

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 8 - Capital Assets (Continued)

*Depreciation expense was charged to governmental programs as follows:

| | |
|-----------------------------------|-----------|
| General Government | \$23,392 |
| Security of Persons and Property: | |
| Police | 33,670 |
| Fire | 62,540 |
| Transportation | 547,026 |
| Leisure Time Activities | 106,566 |
| Community Environment | 6,975 |
| Total Depreciation Expense | \$780,169 |

| | Balance at 12/31/2013 <i>as Restated</i> | Additions | Deductions | Balance at 12/31/14 |
|--|--|-------------|-------------|------------------------|
| Business-Type Activities: | | | | |
| Capital Assets not being Depreciated: | | | | |
| Land | \$155,955 | | \$0 | \$155,955 |
| Construction in Progress | 3,777,094 | 1,037,521 | 4,814,615 | 0 |
| Total Capital Assets not being Depreciated | 3,933,049 | 1,037,521 | 4,814,615 | 155,955 |
| Depreciable Capital Assets: | | | | |
| Land Improvements | 10,826 | 0 | 0 | 10,826 |
| Furniture, Fixtures, and Equipment | 616,173 | 14,000 | 0 | 630,173 |
| Vehicles | 171,362 | 29,334 | 0 | 200,696 |
| Infrastructure | 10,519,324 | 4,814,615 | 863,238 | 14,470,701 |
| Total Capital Assets being Depreciated | 11,317,685 | 4,857,949 | 863,238 | 15,312,396 |
| Less Accumulated Depreciation: | | | | |
| Land Improvements | (6,834) | (353) | 0 | (7,187) |
| Furniture, Fixtures, and Equipment | (393,667) | (48,672) | 0 | (442,339) |
| Vehicles | (88,771) | (16,809) | 0 | (105,580) |
| Infrastructure | (5,387,754) | (299,370) | (573,239) | (5,113,885) |
| Total Accumulated Depreciation | (5,877,026) | (365,204) | (573,239) | (5,668,991) |
| Total Capital Assets being Depreciated, Net | 5,440,659 | 4,492,745 | 289,999 | 9,643,405 |
| Business-Type Activities Capital Assets, Net | \$9,373,708 | \$5,530,266 | \$5,104,614 | \$9,799,360 |

Note 9 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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 the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 9 - Defined Benefit Pension Plans (Continued)

Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional plan benefit. Member contributions, the investment of which is self-directed by the member, 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 and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614)222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2014, members in state and local classifications contributed 10 percent of covered payroll. For 2014, member and employer contribution rates were consistent across all three plans.

The City's 2014 contribution rate was 14 percent. The portion of the City's contribution used to fund pension benefits is net of postemployment health care benefits. The portion of the City's contribution allocated to health care for members in both the traditional and combined plans was 2 percent for 2014. Effective January 1, 2015, the portion of the employer contribution allocated to health care remained at 2 percent. Employer contribution rates are actuarially determined.

The City's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2014, 2013, and 2012, was \$147,863 \$166,412, and \$124,779, respectively. For 2014, 88.76 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012. There were no member-directed plan contributions for 2014 for the City of Nelsonville.

B. Ohio Police and Fire Pension Fund

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

Funding Policy - Employer and employee contribution rates are set by the Ohio Revised Code. From January 1, 2014, through July 1, 2014, plan members were required to contribute 10.75 percent of their annual covered salary. From July 2, 2014, through 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 for police officers and 24 percent for firefighters.

The OPF is authorized by the Ohio Revised Code to allocate a portion of the employer contribution to retiree health care benefits. For 2014, the portion of the City's contribution used to fund pension benefits was 19 percent of covered payroll for police officers and 23.5 percent of covered payroll for firefighters.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 9 - Defined Benefit Pension Plans (Continued)

The City's contribution to OPF for police and firefighters pension was \$71,637 and \$42,550 for the year ended December 31, 2014; \$60,657 and \$28,067 for the year ended December 31, 2013; and \$42,930 and \$38,819 for the year ended December 31, 2012. For 2014, 86.93 percent for police and 69.84 percent for firefighters has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

Note 10 - Postemployment Benefits

A. Ohio Public Employees Retirement System

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

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care plan for qualifying members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment health care coverage. The plan includes a medical plan, a prescription drug program, and Medicare Part B premium reimbursement.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The postemployment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed 14 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code.

Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of the employer contribution allocated to health care for members in both the traditional and combined plans was 2 percent for 2014. Effective January 1, 2015, the portion of the employer contribution allocated to health care remained at 2 percent for both plans as recommended by the OPERS actuary.

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

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 10 - Postemployment Benefits (Continued)

The City's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2014, 2013, and 2012, was \$24,644, \$12,801, and \$49,912, respectively. For 2014, 88.76 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 9, 2012, with a transition plan commencing on January 1, 2014. With the 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 contribution toward the health care fund after the end of the transition period.

B. Ohio Police and Fire Pension Fund

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

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contribution made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2014, the employer contribution allocated to the health care plan was .5 percent of covered payroll. The amount of employer contribution allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OPF Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 10 - Postemployment Benefits (Continued)

The City's contribution to OPF which was allocated to fund postemployment health care benefits for police and firefighters was \$1,885 and \$905 for the year ended December 31, 2014; \$10,383 and \$3,782 for the year ended December 31, 2013; and \$22,442 and \$15,190 for the year ended December 31, 2012. For 2014, 86.93 percent has been contributed for police and 69.84 percent has been contributed for firefighters with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

Note 11 - Employee Benefits

A. Insurance

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

The City provides comprehensive major medical insurance through Medical Mutual. Monthly premiums are \$609.08 for single coverage and \$2,017.61 for family coverage. The City pays 85 percent of the total monthly premium for the family coverage. Vision insurance is provided through the Vision Service Plan, Inc. The premiums are \$13.96 for single coverage and \$38.21 for family coverage. Dental insurance is provided through the Guardian Insurance Plans. The premiums are \$35.40 for single coverage and \$131.66 for family coverage. The City pays 85 percent of the premiums for vision, dental, and life insurances for all employees.

B. Compensated Absences

The criteria for determining vested sick leave benefits are derived from negotiated agreements and State laws. Upon retirement, all employees with ten or more years of service with the City are paid twenty-five percent of their sick leave up to a maximum accumulation of 240 hours. Upon voluntary termination, death or retirement, all employees will receive 100% of vacation earned and not previously taken.

Note 12 - Risk Management

A. Property and Liability

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City contracts with U.S. Specialty Insurance Company, through the McFadden Insurance Services Company, with a blanket insurance policy with the following coverage limits and deductibles:

| Property and Liability | Deductible | Limits of Coverage |
|--------------------------|------------|--------------------|
| Real Property | \$1,000 | \$14,982,989 |
| General Liability: | | |
| Each Occurrence | 10,000 | 1,000,000 |
| Aggregate Limit | 10,000 | 3,000,000 |
| Employee Benefits: | | |
| Each Occurrence | 1,000 | 1,000,000 |
| Aggregate Limit | 1,000 | 3,000,000 |
| Inland Marine | 500 | 607,677 |
| Wrongful Acts Liability: | | |
| Each Occurrence | 10,000 | 1,000,000 |
| Aggregate Limit | 10,000 | 1,000,000 |

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 12 - Risk Management (Continued)

| Property and Liability | Deductible | Limits of Coverage |
|------------------------|------------|--------------------|
| Vehicles: | | |
| Comprehensive | \$500 | \$1,000,000 |
| Collision | 1,000 | 1,000,000 |
| Employee Dishonesty | 250 | 25,000 |
| Law Enforcement: | | |
| Each Occurrence | 10,000 | 1,000,000 |
| Aggregate Limit | 10,000 | 1,000,000 |
| Umbrella Coverage: | | |
| Each Occurrence | 10,000 | 4,000,000 |
| Aggregate Limit | 10,000 | 4,000,000 |

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in insurance coverage from last year.

B. Workers' Compensation

For 2014, the City participated in the Ohio Municipal League Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool (see Note 16). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating entities is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. The savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Each year the City pays an enrollment fee to the Plan to cover the costs of administering the program.

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

Note 13 - Capital Leases - Lessee Disclosure

During 2014, the City entered into one new lease for the purchase of a police cruiser. In prior years, the City had entered into several capital leases for the purchase of vehicles, heavy equipment, and office equipment.

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

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 13 - Capital Leases - Lessee Disclosure (Continued)

The assets acquired through capital leases are as follows:

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|--------------------------------|------------------------------------|-------------------------------------|
| Machinery and Equipment | \$0 | \$40,138 |
| Vehicles | 1,067,573 | 0 |
| Less: Accumulated Depreciation | <u>(826,647)</u> | <u>(25,422)</u> |
| Total | <u>\$240,926</u> | <u>\$14,716</u> |

The following is a schedule of the future minimum lease payments required under the capital lease agreements and the present value of the minimum lease payments as of December 31, 2014:

| <u>Year Ending December 31,</u> | <u>Governmental Activities</u> |
|--|------------------------------------|
| 2015 | \$45,160 |
| 2016 | 33,907 |
| 2017 | 2,513 |
| 2018 | <u>415</u> |
| Total Minimum Lease Payments | 81,995 |
| Less: Amount Representing Interest | <u>8,089</u> |
| Present Value of Net Minimum Lease Payments | <u>\$73,906</u> |

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 14 - Long-Term Obligations

A schedule of changes in long-term obligations of the City during 2014 follows:

| | Principal Outstanding 12/31/2013- <i>Restated</i> | Additions | Deductions | Principal Outstanding 12/31/14 | Amounts Due in One Year |
|--|---|--------------------|------------------|--------------------------------------|-------------------------------|
| Governmental Activities: | | | | | |
| 2007 OWDA Adams Street Improvements Loan - 2.00% | \$43,384 | \$416 | \$1,310 | \$42,490 | \$2,658 |
| 2008 OPWC Adams Street Improvements Loan - 0% | 24,503 | 0 | 1,517 | 22,986 | 1,517 |
| 2014 OPWC Jefferson and Watkins Street Improvements Loan - 0% | 0 | 696,970 | 0 | 696,970 | 13,939 |
| Capital Leases | 89,475 | 31,291 | 46,860 | 73,906 | 39,864 |
| Police and Fire Pension Liability | 65,751 | 0 | 1,928 | 63,823 | 2,010 |
| Compensated Absences | 58,145 | 18,776 | 16,543 | 60,378 | 18,468 |
| Total Governmental Activities | \$281,258 | \$747,453 | \$68,158 | \$960,553 | \$78,456 |
| Business-Type Activities: | | | | | |
| OWDA Loans: | | | | | |
| 1998 Sylvania Avenue Sewer Loan - 2.20% | \$148,217 | \$0 | \$31,688 | \$116,529 | \$32,289 |
| 2002 Sewer Digester Loan - 2.20% | 429,174 | 0 | 49,629 | 379,545 | 50,727 |
| 2002 State Route 33 Sewer Improvements Loan - 2.00% | 152,676 | 0 | 14,746 | 137,930 | 15,042 |
| 2007 Adams Street Sewer Improvements Loan - 2.00% | 122,924 | 1,179 | 3,710 | 120,393 | 7,532 |
| 2002 Water Improvements Loan - 2.00% | 138,846 | 0 | 13,410 | 125,436 | 13,680 |
| 2007 Adams Street Water Improvements Loan - 2.00% | 122,924 | 1,179 | 3,710 | 120,393 | 7,532 |
| 2012 Water Treatment Plant Loan - 1.98% | 3,189,249 | 908,868 | 0 | 4,098,117 | 188,028 |
| Total OWDA Loans | 4,304,010 | 911,226 | 116,893 | 5,098,343 | 314,830 |
| OPWC Loans: | | | | | |
| 2008 Adams Street Sewer Improvements Loan - 0% | 152,710 | 0 | 9,453 | 143,257 | 9,453 |
| 2008 Adams Street Water Improvements Loan - 0% | 149,457 | 0 | 9,251 | 140,206 | 9,251 |
| 2011 Water Booster Station Improvement Loan - 0% | 19,000 | 0 | 667 | 18,333 | 666 |
| 2012 Water Treatment Plant Loan Loan - 0% | 571,347 | 128,653 | 0 | 700,000 | 23,333 |
| Total OPWC Loans | 892,514 | 128,653 | 19,371 | 1,001,796 | 42,703 |
| Compensated Absences | 58,513 | 10,053 | 2,134 | 66,432 | 23,050 |
| Total Business-Type Activities | \$5,255,037 | \$1,049,932 | \$138,398 | \$6,166,571 | \$380,583 |

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 14 - Long-Term Obligations (Continued)

The 2007 OWDA Adams Street Improvement Loan, authorized for \$43,599, is being used to finance street improvements. The loan activity is reflected in the Street Construction and Maintenance Special Revenue Fund which received the proceeds.

Principal requirements to retire the OWDA Adams Street Improvement Loan liability at December 31, 2014, are as follows:

| Year Ended December 31, | Principal | Interest | Total |
|----------------------------|-----------------|----------------|-----------------|
| 2015 | \$2,658 | \$837 | \$3,495 |
| 2016 | 2,712 | 783 | 3,495 |
| 2017 | 2,766 | 729 | 3,495 |
| 2018 | 2,822 | 673 | 3,495 |
| 2019 | 2,878 | 616 | 3,494 |
| 2020-2024 | 15,284 | 2,189 | 17,473 |
| 2025-2028 | 13,370 | 609 | 13,979 |
| | <u>\$42,490</u> | <u>\$6,436</u> | <u>\$48,926</u> |

The 2008 OPWC Adams Street Improvement Loan, authorized for \$164,063, was used to finance street improvements and will be repaid through Gas and Motor Vehicle License Tax revenue in the Street Construction and Maintenance Special Revenue Fund.

Principal requirements to retire the OPWC Adams Street Improvement Loan liability at December 31, 2014, are as follows:

| Year Ended December 31, | Principal |
|----------------------------|-----------------|
| 2015 | \$1,517 |
| 2016 | 1,517 |
| 2017 | 1,517 |
| 2018 | 1,517 |
| 2019 | 1,517 |
| 2020-2024 | 7,584 |
| 2025-2029 | 7,236 |
| 2030 | 581 |
| | <u>\$22,986</u> |

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

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 14 - Long-Term Obligations (Continued)

Principal requirements to retire the OPWC Jefferson and Watkins Streets Improvements Loan liability at December 31, 2014, are as follows:

| Year Ended December 31, | Principal |
|----------------------------|------------------|
| 2015 | \$13,939 |
| 2016 | 27,879 |
| 2017 | 27,879 |
| 2018 | 27,879 |
| 2019 | 27,878 |
| 2020-2024 | 139,394 |
| 2025-2029 | 139,395 |
| 2030-2034 | 139,394 |
| 2035-2039 | 139,394 |
| 2040 | 13,939 |
| | <u>\$696,970</u> |

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

Principal and interest requirements to retire the Police and Fire Pension liability at December 31, 2014, are as follows:

| Year Ended December 31, | Principal | Interest | Total |
|----------------------------|-----------------|-----------------|-----------------|
| 2015 | \$2,011 | \$2,690 | \$4,701 |
| 2016 | 2,096 | 2,605 | 4,701 |
| 2017 | 2,187 | 2,514 | 4,701 |
| 2018 | 2,280 | 2,421 | 4,701 |
| 2019 | 2,379 | 2,322 | 4,701 |
| 2020-2024 | 13,514 | 9,996 | 23,510 |
| 2025-2029 | 16,679 | 6,831 | 23,510 |
| 2030-2034 | 20,581 | 2,929 | 23,510 |
| 2035 | 2,096 | 43 | 2,139 |
| | <u>\$63,823</u> | <u>\$32,351</u> | <u>\$96,174</u> |

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

The 1988 OWDA Sylvania Avenue Sewer Loan, originally obtained in the amount of \$479,200; the 2002 Sewer Digester Loan, originally obtained for \$947,127; and the 2002 OWDA State Route 33 Sewer Improvements Loan, originally obtained for \$290,971, represents amounts borrowed for the purpose of improving the sewer system and will be repaid from charges for services in the Sewer Enterprise Fund.

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

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 14 - Long-Term Obligations (Continued)

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

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

The 2012 OWDA Water Treatment Plant Loan, authorized for \$4,563,943, is being used to finance the construction of a water treatment plant. The loan has been fully drawn down; however, no amortization schedule exists at this time.

Principal and interest requirements to retire OWDA loan liabilities at December 31, 2014, are as follows:

| Year Ended December 31, | Principal | Interest | Total |
|----------------------------|--------------------|-----------------|--------------------|
| 2015 | \$126,802 | \$20,424 | \$147,226 |
| 2016 | 129,621 | 17,605 | 147,226 |
| 2017 | 132,396 | 14,828 | 147,224 |
| 2018 | 117,946 | 11,991 | 129,937 |
| 2019 | 102,781 | 9,670 | 112,451 |
| 2020-2024 | 314,911 | 20,175 | 335,086 |
| 2025-2029 | 75,769 | 3,449 | 79,218 |
| | <u>\$1,000,226</u> | <u>\$98,142</u> | <u>\$1,098,368</u> |

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

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

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

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

Principal requirements to retire OPWC Loan liability at December 31, 2014, are as follows:

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 14 - Long-Term Obligations (Continued)

| Year Ended December 31, | Principal |
|----------------------------|--------------------|
| 2015 | \$42,703 |
| 2016 | 42,706 |
| 2017 | 42,704 |
| 2018 | 42,703 |
| 2019 | 42,705 |
| 2020-2024 | 213,520 |
| 2025-2029 | 209,221 |
| 2030-2034 | 127,201 |
| 2035-2039 | 119,999 |
| 2040-2044 | 118,334 |
| | <u>\$1,001,796</u> |

The City has pledged future sewer customer revenues to repay \$754,397 in outstanding sewer system OWDA loans obtained in 1989, 1998, 2002, and 2007. The loans are payable solely from sewer customer net revenues and are payable through 2029. Net revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loans are expected to require 111 percent of net revenues in future years. The total principal and interest remaining to be paid on the loans are \$822,713. Principal and interest payments for the current year were \$116,252, net revenues were \$109,001, and total revenues were \$932,121.

The City has pledged future water customer revenues to repay \$4,343,946 in water system OWDA loans obtained in 2002, 2007, 2010, and 2012. The loans are payable solely from water customer net revenues and are payable through 2029. Net revenues include all revenues received by the water utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loans are expected to require payment from the fund carryover in future years. The total principal and interest remaining to be paid on the loans are \$4,373,772. Principal and interest payments for the current year were \$21,072, net revenues were (\$6,474), and total revenues were \$933,067.

The City's overall legal debt margin was \$4,305,040 at December 31, 2013.

Note 15 - Jointly Governed Organizations

A. Athens County Regional Planning Commission

The Athens County Regional Planning Commission was formed to influence favorably the future economic, physical, and social development of Athens County. Membership is composed of the three Athens County Commissioners, one representative from each of the participating municipalities, including the City of Nelsonville, and one representative for every five thousand County residents appointed by the County Commissioners. The Commission is not dependent upon the City of Nelsonville for its continued existence. In 2014, the City did not make any contributions to the Commission.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Note 15 - Jointly Governed Organizations (Continued)

B. Athens County Economic Development Council

The Athens County Economic Development Council was formed to promote economic development in Athens County through the initiation, promotion, and the development of support programs that assists individuals and business in establishing, retaining, expanding, and locating in Athens County. Membership is composed of representatives from the City of Nelsonville, the City of Athens, the Athens County Commission, Ohio University, Hocking College, the Athens County Port Authority, and the Athens County Community Improvement Corporation. The Council is not dependent on the City of Nelsonville for its continued existence. In 2014, the City made \$10,000 in contributions to the Council.

Note 16 - Insurance Purchasing Pool

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

Note 17 - Contingent Liabilities

A. Grants

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2014.

B. Litigation

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



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 Nelsonville
Athens County
P.O. Box 370
211 Lake Hope Drive
Nelsonville, Ohio 45764-0370

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 Nelsonville, 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 February 2, 2016.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our 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.

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

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 a 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. We consider findings 2014-002 and 2014-003 described in the accompanying Schedule of Findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-005 described in the accompanying Schedule of Findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2014-001 through 2014-004.

Entity's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the City's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

February 2, 2016

**CITY OF NELSONVILLE
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014**

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

FINDING NUMBER 2014-001

Noncompliance

Ohio Rev. Code § 5705.39 provides that total appropriations from each fund should not exceed the total estimated resources. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Appropriations exceeded the total estimated resources at December 31, 2014 in the Street Levy Fund by \$144,479 and in the Street Construction Fund by \$24,439. Failure to limit appropriations to estimated resources could result in deficit fund balances.

The City officials should monitor budgetary data to ensure that total appropriations from each fund do not exceed the total estimated resources certified to the County Auditor.

Official's Response: After coming into office not until the middle of February, the new Auditor had a very challenging job ahead. It took some time to learn of the process and procedure of things due to no training or instruction on how to accomplish the duties of the job after the appointment. It was not learned until later of the workings of the appropriations process and in particular of the process through which the County Budget Commission is involved.

In the case of the Appropriations exceeding total estimated revenue at December 31, 2014 in the Street Levy Fund and the Street Construction Fund, there had been no revenue reported on the part of the Auditor that should have been in 2014 requiring an amended certificate of resources from the county Auditor's office. There was, for instance, revenues of \$421,702.47 (transacted 1/17/2014 before current Auditor's tenure), \$226,283.60, and \$72,792.73 later in 2014 that was not reported.

Action taken has been the reporting of such changes in amended certificates requested and received due to the knowledge of the need to report now being met for 2015 and forward.

FINDING NUMBER 2014-002

Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-02(C)(1) provides that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

Budgeted receipts adopted by the legislative body exceeded the budgeted amounts recorded in the system in the Grants Special Revenue Fund by \$65,000 and in the combined Water Funds by \$485,048. Estimated Receipts posted to the system exceeded the amount adopted in the Street Levy Fund by \$228,980.

Failure to properly record approved budgetary matters in the accounting system results in management losing some degree of budgetary control.

**CITY OF NELSONVILLE
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014
(Continued)**

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

FINDING NUMBER 2014-002 (Continued)

Noncompliance and Material Weakness - Ohio Admin. Code § 117-2-02(C)(1) (Continued)

The City should post estimated receipts as certified by the County Budget Commission, after receiving approval, to the accounting system. Further, the City should ensure appropriations as approved are adequately updated in the accounting system. This procedure will help ensure more useful comparisons of budget versus actual activity, as well as provide management with an accurate monitoring tool throughout the year.

Official's Response: Accurate and timely reporting began in 2015 through the County Auditor's office and the County Budget Commission, will rectify these issues as well as previously mentioned issues now that the Auditor's office is aware of the process. This will ensure more useful comparisons of budget versus actual activity as well as better monitoring throughout the year.

FINDING NUMBER 2014-003

Noncompliance and Material Weakness

Ohio Admin. Code §§ 117-2-01(D)(3) and (5) provide that, when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The City did not prepare accurate monthly bank reconciliations to reconcile the bank statements to the cash journal throughout the year. They did, however, reconcile the December 31, 2014 accounting system to the bank following the completion of calendar year 2014. As such, the monthly financial reports reviewed by the Council contained inaccurate information. Failure to perform monthly reconciliations can result in management decisions made on inaccurate information and can lead to errors unidentified.

The City officials should prepare monthly bank reconciliations in a timely manner so that reconciling items can be easily identified and corrections, if necessary, can be made in a timely manner. These reconciliations should be reviewed and approved by the City Council at regular Council meetings.

Official's Response: The Treasurer and Auditor, having no training at all, struggled in the beginning. It came to a point where it was realized the Auditor and the former Treasurer needed to communicate. We were unable to achieve this goal during 2015; however, our new Treasurer and the Auditor will be working together with accurate reporting going forward. Any corrections will be easily identified and corrected and reported.

FINDING NUMBER 2014-004

Noncompliance

Article 1, § 8 of the Employment Rules of the City of Nelsonville defines "rehire" as the noncompetitive re-engagement of a person pursuant to Article 6, § 3 of the Employment Rules. Persons who are rehired are considered to be newly hired for all purposes of these Employment Rules.

**CITY OF NELSONVILLE
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014
(Continued)**

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

FINDING NUMBER 2014-004 (Continued)

Noncompliance - Employment Rules of the City of Nelsonville (Continued)

Article 12, § 7 of the Employment Rules of the City of Nelsonville provides that upon separation from employment, an employee shall receive compensation for all earned but unused annual leave hours at the employee's rate of pay. (Vacation Leave - all; Sick Leave - 280 hours)

The Code Enforcement Director retired from the City in November 2013 and was immediately rehired by the City. Instead of receiving severance at the time of retirement, his leave balances remained unchanged and he continued to accrue leave in addition to his balances upon the date of his retirement.

To avoid a finding for recovery, severance payouts should be paid out and calculated at the rate Pierson was earning at the time of retirement. All balances should be exhausted prior to Pierson being rehired.

Official's Response: The Payroll Administrator will backdate to October 31, 2013 and payout leave balance of 240 hours sick leave, adjusting sick leave back to zero hours and reapply accrued sick leave for November 1, 2013 to current. Vacation pay will be backdated to October 31, 2013, paying out 237.43 hours at the rate of pay in effect at that time. Longevity paid in 2014 and in 2015 in error will be deducted from the vacation payout with both beginning longevity and hire date adjusted back to November 1, 2013.

FINDING NUMBER 2014-005

Significant Deficiency

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

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

The City also has the option of providing for travel reimbursements to employees. This should be governed by a formal policy which, at a minimum, identifies the types of travel authorized, specifies guidelines for allowable and unallowable expenses, limits the amount of reimbursement, identifies types of supporting documentation required for reimbursement requests, reporting, and monitoring of use by appropriate levels of management and define other guidelines deemed appropriate by Council.

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

CITY OF NELSONVILLE
ATHENS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2014
(Continued)

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

FINDING NUMBER 2014-005 (Continued)

Significant Deficiency - Policies and Procedures (Continued)

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

No formally approved policy or procedure manual was in place during 2014 governing standard procedures, purchases of bulk fuel, use of government owned vehicles or equipment, or travel reimbursements. Lack of the required policies may result in:

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

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

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



Dave Yost • Auditor of State

CITY OF NELSONVILLE

ATHENS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 16, 2016**