



**CITY OF NELSONVILLE, OHIO**

**ATHENS COUNTY**

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**REGULAR AUDIT**

**For the Year Ended December 31, 2019**

**J.L. UHRIG**  
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS





OHIO AUDITOR OF STATE  
KEITH FABER



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City Council  
City of Nelsonville  
211 Lake Hope Dr.  
Nelsonville, OH 45764

We have reviewed the *Independent Auditor's Report* of the City of Nelsonville, Athens County, prepared by J.L. Uhrig and Associates, Inc., for the audit period January 1, 2019 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The Auditor of State is conducting an investigation. As of the date of this report, the investigation is ongoing. Dependent on the results of the investigation results may be reported on at a later date.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Nelsonville is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

**April 29, 2021**

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**CITY OF NELSONVILLE**  
**ATHENS COUNTY, OHIO**  
*Table of Contents*  
*For the Year Ended December 31, 2019*

---

Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	4
<b>Basic Financial Statements:</b>	
<u>Government-wide Financial Statements:</u>	
Statement of Net Position.....	13
Statement of Activities.....	14
<u>Fund Financial Statements:</u>	
Balance Sheet - Governmental Funds.....	16
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	19
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budget Basis) General Fund.....	20
Statement of Fund Net Position - Enterprise Funds .....	21
Statement of Revenues, Expenses and Changes in Net Position - Enterprise Funds.....	22
Statement of Cash Flows - Enterprise Funds.....	23
Statement of Assets and Liabilities - Custodial Funds.....	24
Statement of Changes in Fiduciary Net Position - Custodial Funds.....	25
Notes to the Basic Financial Statements.....	26
<b>Required Supplemental Schedules:</b>	
Schedule of the City's Proportionate Share of the Net Pension Liability OPERS – Traditional Plan – Last Six Fiscal Years.....	72
Schedule of the City's Proportionate Share of the Net OPEB Liability OPEB – Last Three Fiscal Years .....	73

**CITY OF NELSONVILLE**  
**ATHENS COUNTY, OHIO**  
*Table of Contents*  
*For the Year Ended December 31, 2019*

---

Schedule of the City's Proportionate Share of the Net Pension Liability	
Ohio Police and Fire Pension Fund – Last Six Fiscal Years.....	74
Schedule of the City's Proportionate Share of the Net OPEB Liability	
Ohio Police and Fire Pension Fund – Last Three Fiscal Years.....	75
Schedule of City Contributions	
OPERS – Traditional Plan – Last Seven Fiscal Years .....	76
Ohio Police and Fire Pension Fund – Last Ten Fiscal Years.....	78
Notes to the Required Supplementary Information.....	80

**Audit Report:**

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	83
Schedule of Findings .....	85
Schedule of Prior Audit Findings .....	87

## **Independent Auditor's Report**

City of Nelsonville  
Athens County  
211 Lake Hope Drive  
Nelsonville, Ohio 45764

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

We have audited the accompanying financial statements of the governmental activities, 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, 2019, 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 the preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the designing, implementing, and maintaining internal control relevant to the 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, 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 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.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Nelsonville, Athens County as of December 19, 2019, and the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 3 to the financial statements, during the year ended December 31, 2019, the City adopted Governmental Accounting Standard Board Statement No. 83, *Certain Asset Retirement Obligations*; Statement No. 84, *Fiduciary Activities*; Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*; and related guidance from (GASB) Implementation Guide No. 2019-2, *Fiduciary Activities* and the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2018-1*, and as a result the City restated their December 31, 2018 net position of the Custodial Funds.

As discussed in Note 20 to the financial statements, during 2020, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. We did not modify our opinion regarding this matter.

As discussed in Note 21, the Auditor of State is conducting a special investigation. As of the date of this report, the investigation is ongoing. We did not modify our opinion for this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis on pages 3-10 and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquires of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 assurance.



**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated February 10, 2021 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on internal control over financial reporting or on compliance. The 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.

*J. L. Uhrig and Associates, Inc.*

J. L. UHRIG AND ASSOCIATES, INC.  
Chillicothe, Ohio

February 10, 2021

**City of Nelsonville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2019*  
*Unaudited*

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The discussion and analysis of the City of Nelsonville's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2019. 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 2019 are as follows:**

- In total, net position increased \$690,500. Net position of governmental activities increased \$472,970, or 5.2 percent from 2018. Net position of business-type activities increased \$217,530, or 5.5 percent from 2018.
- In total, assets increased \$346,931. Governmental activities assets decreased \$450,899; the business-type activities assets increased \$797,830.
- In total, liabilities increased \$514,204. Total liabilities of governmental activities decreased \$210,827, while the total liabilities of business-type activities increased \$725,031.

## **USING THIS ANNUAL FINANCIAL REPORT**

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

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

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

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

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

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2019?" 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, 2019*  
*Unaudited*

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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 and Sewer 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 of our water and sewer treatment plants, 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 13. Fund financial reports provide detailed information about the City's major funds. Based upon restrictions on the use of monies, the City has established many funds which account for the multitude of services provided to our residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Nelsonville, our major funds are the General Fund; the Capital Improvements Capital Projects Fund; and the Water and Sewer Enterprise Funds.

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

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

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

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

**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 2019 compared to 2018.

**City of Nelsonville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2019*  
*Unaudited*

(Table 1)  
 Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Assets</b>						
Current and Other Assets	\$1,601,746	\$2,013,604	\$1,537,056	\$1,508,126	\$3,138,802	\$3,521,730
Capital Assets, Net	12,128,944	12,167,985	9,960,611	9,191,711	22,089,555	21,359,696
<i>Total Assets</i>	<u>13,730,690</u>	<u>14,181,589</u>	<u>11,497,667</u>	<u>10,699,837</u>	<u>25,228,357</u>	<u>24,881,426</u>
<b>Deferred Outflows of Resources</b>						
Pension	663,174	292,672	318,306	203,607	981,480	496,279
OPEB	137,654	138,058	38,134	55,117	175,788	193,175
<i>Total Deferred Outflows of Resources</i>	<u>800,828</u>	<u>430,730</u>	<u>356,440</u>	<u>258,724</u>	<u>1,157,268</u>	<u>689,454</u>
<b>Liabilities</b>						
Current and Other Liabilities	135,908	134,399	216,343	277,740	352,251	412,139
Long-Term Liabilities:						
Due within One Year	111,959	120,706	352,689	363,686	464,648	484,392
Due in More than One Year						
Net Pension Liability	2,390,446	1,659,324	1,091,342	817,144	3,481,788	2,476,468
Net OPEB Liability	480,756	1,446,346	486,252	554,908	967,008	2,001,254
Other Amounts	1,086,626	1,055,747	5,264,199	4,672,316	6,350,825	5,728,063
<i>Total Liabilities</i>	<u>4,205,695</u>	<u>4,416,522</u>	<u>7,410,825</u>	<u>6,685,794</u>	<u>11,616,520</u>	<u>11,102,316</u>
<b>Deferred Inflows of Resources</b>						
Property Taxes	303,153	389,584	0	0	303,153	389,584
Pension	202,490	446,716	160,782	252,353	363,272	699,069
OPEB	223,989	236,276	103,675	59,119	327,664	295,395
<i>Total Deferred Inflows of Resources</i>	<u>729,632</u>	<u>1,072,576</u>	<u>264,457</u>	<u>311,472</u>	<u>994,089</u>	<u>1,384,048</u>
<b>Net Position</b>						
Net Investment in Capital Assets	11,155,183	11,251,975	4,436,859	4,223,270	15,592,042	15,475,245
Restricted	824,421	934,203	0	0	824,421	934,203
Unrestricted (Deficits)	<u>(2,383,413)</u>	<u>(3,062,957)</u>	<u>(258,034)</u>	<u>(261,975)</u>	<u>(2,641,447)</u>	<u>(3,324,932)</u>
<i>Total Net Position</i>	<u>\$9,596,191</u>	<u>\$9,123,221</u>	<u>\$4,178,825</u>	<u>\$3,961,295</u>	<u>\$13,775,016</u>	<u>\$13,084,516</u>

The net pension liability (NPL) is the largest single governmental liability reported by the City at December 31, 2019. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

In accordance with GASB 68 and GASB 75, the City’s statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share

**City of Nelsonville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2019*  
*Unaudited*

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of each plan's *change* in net pension liability (asset) and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

For 2019, OP&F recognized a change in benefit terms for their OPEB plan. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements. This new model replaced the self-insured health care plan used in prior years. These changes contributed to OPEB expense decreasing from \$119,687 in 2018 to a negative OPEB expense of \$982,428 for 2019.

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

Total governmental activities assets decreased \$450,899. This is primarily due to a decrease in capital assets and income taxes receivable. Business-type activities assets increased \$797,830. This is primarily due to an increase in capital assets and cash and cash equivalents.

Governmental liabilities decreased \$210,827, due primarily to a decrease in net OPEB liability. Business-type liabilities increased \$725,031, due primarily to an increase in long-term debt and in net pension liability.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2019 and 2018.

**City of Nelsonville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2019*  
*Unaudited*

(Table 2)  
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$160,620	\$138,751	\$2,237,267	\$2,126,987	\$2,397,887	\$2,265,738
Operating Grants, Contributions and Interest	301,002	363,479	0	0	301,002	363,479
Capital Grants and Contributions	231,293	1,467,291	177,586	84,014	408,879	1,551,305
<i>Total Program Revenues</i>	<u>692,915</u>	<u>1,969,521</u>	<u>2,414,853</u>	<u>2,211,001</u>	<u>3,107,768</u>	<u>4,180,522</u>
General Revenues						
Property Taxes	457,924	430,762	0	0	457,924	430,762
Income Taxes	1,407,771	1,495,914	0	0	1,407,771	1,495,914
Grants and Entitlements	92,924	80,550	0	0	92,924	80,550
Interest	32,267	29,145	0	0	32,267	29,145
Contributions and Donations	9,681	12,181	0	0	9,681	12,181
Other	114,003	49,371	18,628	20,947	132,631	70,318
<i>Total General Revenues</i>	<u>2,114,570</u>	<u>2,097,923</u>	<u>18,628</u>	<u>20,947</u>	<u>2,133,198</u>	<u>2,118,870</u>
<b>Total Revenues</b>	<u>2,807,485</u>	<u>4,067,444</u>	<u>2,433,481</u>	<u>2,231,948</u>	<u>5,240,966</u>	<u>6,299,392</u>
<b>Program Expenses</b>						
General Government	557,570	584,665	0	0	557,570	584,665
Security of Persons and Property:						
Police	300,125	807,151	0	0	300,125	807,151
Fire	327,373	606,703	0	0	327,373	606,703
Transportation	849,756	884,415	0	0	849,756	884,415
Leisure Time Activities	266,641	283,913	0	0	266,641	283,913
Community Environment	20,920	112,756	0	0	20,920	112,756
Interest and Fiscal Charges	12,130	22,438	0	0	12,130	22,438
Water	0	0	1,072,459	1,258,767	1,072,459	1,258,767
Sewer	0	0	1,143,492	1,085,604	1,143,492	1,085,604
<i>Total Program Expenses</i>	<u>2,334,515</u>	<u>3,302,041</u>	<u>2,215,951</u>	<u>2,344,371</u>	<u>4,550,466</u>	<u>5,646,412</u>
<i>Increase (Decrease) in Net Position before Transfers</i>	472,970	765,403	217,530	(112,423)	690,500	652,980
<i>Transfers</i>	0	(38,344)	0	38,344	0	0
<i>Increase (Decrease) in Net Position</i>	472,970	727,059	217,530	(74,079)	690,500	652,980
<i>Net Position at Beginning of Year</i>	9,123,221	8,396,162	3,961,295	4,035,374	13,084,516	12,431,536
<i>Net Position at End of Year</i>	<u>\$9,596,191</u>	<u>\$9,123,221</u>	<u>\$4,178,825</u>	<u>\$3,961,295</u>	<u>\$13,775,016</u>	<u>\$13,084,516</u>

**City of Nelsonville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2019*  
*Unaudited*

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***Governmental Activities***

Program revenues accounted for 24.7 percent of total revenues for governmental activities in 2019. The amount of program revenues decreased \$1,276,606 from 2018. This decrease is mainly due to the decrease 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 92.6 percent of general revenues and 69.8 percent of total revenues.

Security of persons and property is a major activity of the City, representing 26.9 percent of the governmental expenses. During 2019, expenses for police and fire operations amounted to \$300,125 and \$327,373, respectively. These activities were, for the most part, funded by the municipal income tax. The City attempted to supplement the income and activities of the police department, by applying for additional grant funding, to enable the department to widen the scope of its activity. The police and fire department and its employees continued to work hand in hand with the City to limit costs to the taxpayer.

Transportation activities, the City's largest program, accounted for 36.4 percent of governmental expenses. These activities were, for the most part, funded through contributions and grant funding. The activities not covered through grants and contributions were funded through general revenues.

General government activities accounted for \$557,570 or 23.9 percent of governmental expenses, a decrease of \$27,095 from 2018. This is primarily due to reductions in the City Manager, Code Enforcement, City Auditor, and Income Tax departments.

Leisure time activities, community environment, and interest and fiscal charges account for the remaining 12.8 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 entirely from charges for services. During 2019, program revenues were exceeded by program expenses by \$198,992 for all business-type activities.

The minimum water and sewer rates are \$17.29 and \$13.80, respectively, for the first 1,500 gallons of usage. Minimum water and sewer rates for communities outside the city limits are \$25.95 for water and \$20.70 for sewer.

**THE CITY'S FUNDS**

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

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

The City's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$2,814,101 and expenditures of \$3,255,876.

**City of Nelsonville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2019*  
*Unaudited*

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***General Fund***

The General Fund is the primary operating fund of the City. At the end of 2019, fund balance was \$59,560. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund disbursements. The General Fund's unassigned fund balance of \$12,547 represented 0.64 percent of total General Fund disbursements, while total fund balance represents 3.0 percent of that same amount.

The fund balance of the General Fund decreased \$178,648.

***Other Major Governmental Funds***

The fund balance of the Capital Improvements Capital Projects Fund decreased \$170,361. The Capital Improvement Fund's spendable fund balance of \$455,882 represented 66.5 percent of current year expenditures.

***Enterprise Funds***

The net position balance of the Water Enterprise Fund increased \$277,065. Due to the net pension/OPEB liabilities, the Water Enterprise Fund has a deficit unrestricted net position.

The net position balance of the Sewer Enterprise Fund decreased \$59,535. Due to the net pension/OPEB liabilities, the Sewer Enterprise Fund has a deficit unrestricted net position.

***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 2019, the City amended its General Fund budget several times, though none were significant. All recommendations for a budget change came from the City Auditor to the Finance Committee of Council for review before going to the whole Council for Ordinance enactment on the change. The allocation of appropriations among the departments and objects within a fund may be modified during the year by the City Auditor without an ordinance of Council. With the General Fund supporting many of our major activities such as our police and fire departments, as well as most 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 \$170,002 from the original amount. Final budgeted expenditures increased \$108,833 from the original amount.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

***Capital Assets***

At the end of 2019, the City had \$12,128,944 in governmental activities, and \$9,960,611 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 2019 balances compared to 2018.



**City of Nelsonville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2019*  
*Unaudited*

(Table 3)  
 Capital Assets at December 31, 2019

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$407,263	\$407,263	\$752,475	\$155,955	\$1,159,738	\$563,218
Construction in Progress	190,570	0	886,261	308,135	1,076,831	308,135
Land Improvements	2,651,765	2,746,069	1,874	2,227	2,653,639	2,748,296
Buildings and Improvements	1,789,099	1,861,418	0	0	1,789,099	1,861,418
Furniture, Fixtures, and						
Equipment	302,491	347,790	82,695	96,241	385,186	444,031
Vehicles	715,123	553,229	195,023	238,844	910,146	792,073
Infrastructure	6,072,633	6,252,216	8,042,283	8,390,309	14,114,916	14,642,525
Totals	<u>\$12,128,944</u>	<u>\$12,167,985</u>	<u>\$9,960,611</u>	<u>\$9,191,711</u>	<u>\$22,089,555</u>	<u>\$21,359,696</u>

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

**Debt**

As of December 31, 2019, and December 31, 2018, the City had total long-term debt of \$6,673,718 and \$6,084,154, respectively, as follows:

(Table 4)  
 Outstanding Debt at December 31, 2019

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
OWDA Loans	\$28,655	\$31,533	\$4,748,975	\$4,137,460	\$4,777,630	\$4,168,993
OPWC Loans	586,916	616,312	788,277	830,981	1,375,193	1,447,293
General Obligation Bond	120,000	0	0	0	120,000	0
Capital Leases	348,023	412,618	0	0	348,023	412,618
Police Pension Liability	52,872	55,250	0	0	52,872	55,250
Totals	<u>\$1,136,466</u>	<u>\$1,115,713</u>	<u>\$5,537,252</u>	<u>\$4,968,441</u>	<u>\$6,673,718</u>	<u>\$6,084,154</u>

The City's overall legal debt margin was \$4,630,800 at December 31, 2019. 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 depended heavily on its taxpayers and grants and entitlements. The City of Nelsonville tightened spending to better bring expenses in line with revenues, and carefully watched financial planning, in order 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 Taylor Sappington, Nelsonville City Auditor, 211 Lake Hope Drive, Nelsonville, Ohio 45764.

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**City of Nelsonville, Ohio**  
*Statement of Net Position*  
*December 31, 2019*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$903,224	\$1,251,936	\$2,155,160
Cash and Cash Equivalents in Segregated Accounts	435	0	435
Accounts Receivable	4,953	267,928	272,881
Intergovernmental Receivable	140,512	0	140,512
Income Taxes Receivable	116,684	0	116,684
Prepaid Items	3,307	1,707	5,014
Materials and Supplies Inventory	35,000	15,485	50,485
Property Taxes Receivable	397,631	0	397,631
Nondepreciable Capital Assets	597,833	1,638,736	2,236,569
Depreciable Capital Assets, Net	11,531,111	8,321,875	19,852,986
<i>Total Assets</i>	<u>13,730,690</u>	<u>11,497,667</u>	<u>25,228,357</u>
<b>Deferred Outflows of Resources</b>			
Pension	663,174	318,306	981,480
OPEB	137,654	38,134	175,788
<i>Total Deferred Outflows of Resources</i>	<u>800,828</u>	<u>356,440</u>	<u>1,157,268</u>
<b>Liabilities</b>			
Accounts Payable	31,715	20,453	52,168
Contracts Payable	17,337	103,058	120,395
Accrued Wages Payable	45,264	28,177	73,441
Matured Compensated Absences Payable	6,547	0	6,547
Intergovernmental Payable	28,841	25,318	54,159
Accrued Interest Payable	6,204	39,337	45,541
Long-Term Liabilities:			
Due within One Year	111,959	352,689	464,648
Due in More than One Year			
Net Pension Liability	2,390,446	1,091,342	3,481,788
Net OPEB Liability	480,756	486,252	967,008
Other Amounts Due in More than One Year	1,086,626	5,264,199	6,350,825
<i>Total Liabilities</i>	<u>4,205,695</u>	<u>7,410,825</u>	<u>11,616,520</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	303,153	0	303,153
Pension	202,490	160,782	363,272
OPEB	223,989	103,675	327,664
<i>Total Deferred Inflows of Resources</i>	<u>729,632</u>	<u>264,457</u>	<u>994,089</u>
<b>Net Position</b>			
Net Investment in Capital Assets	11,155,183	4,436,859	15,592,042
Restricted for:			
Street Improvements	376,658	0	376,658
Parks and Recreation	8,423	0	8,423
Capital Improvements	357,398	0	357,398
Police	14,474	0	14,474
Community Development	51,773	0	51,773
Unclaimed Monies	1,367	0	1,367
Other Purposes	14,328	0	14,328
Unrestricted (Deficit)	(2,383,413)	(258,034)	(2,641,447)
<i>Total Net Position</i>	<u>\$9,596,191</u>	<u>\$4,178,825</u>	<u>\$13,775,016</u>

See accompanying notes to the basic financial statements

**City of Nelsonville, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2019

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
<b>Governmental Activities</b>				
General Government	\$557,570	\$53,009	\$0	\$0
Security of Persons and Property:				
Police	300,125	2,264	50,000	0
Fire	327,373	8,684	7,994	0
Transportation	849,756	96,663	230,290	231,293
Leisure Time Activities	266,641	0	12,718	0
Community Environment	20,920	0	0	0
Interest and Fiscal Charges	12,130	0	0	0
<i>Total Governmental Activities</i>	<u>2,334,515</u>	<u>160,620</u>	<u>301,002</u>	<u>231,293</u>
<b>Business-Type Activities</b>				
Water	1,072,459	1,340,238	0	0
Sewer	1,143,492	897,029	0	177,586
<i>Total Business-Type Activities</i>	<u>2,215,951</u>	<u>2,237,267</u>	<u>0</u>	<u>177,586</u>
<i>Totals</i>	<u>\$4,550,466</u>	<u>\$2,397,887</u>	<u>\$301,002</u>	<u>\$408,879</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

Contributions and Donations

Other

*Total General Revenues*

*Change in Net Position*

*Net Position at Beginning of Year*

*Net Position at End of Year*

See accompanying notes to the basic financial statements.

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(\$504,561)	\$0	(\$504,561)
(247,861)	0	(247,861)
(310,695)	0	(310,695)
(291,510)	0	(291,510)
(253,923)	0	(253,923)
(20,920)	0	(20,920)
(12,130)	0	(12,130)
(1,641,600)	0	(1,641,600)
0	267,779	267,779
0	(68,877)	(68,877)
0	198,902	198,902
(1,641,600)	198,902	(1,442,698)
189,213	0	189,213
240,684	0	240,684
28,027	0	28,027
1,169,693	0	1,169,693
238,078	0	238,078
92,924	0	92,924
32,267	0	32,267
9,681	0	9,681
114,003	18,628	132,631
2,114,570	18,628	2,133,198
472,970	217,530	690,500
9,123,221	3,961,295	13,084,516
\$9,596,191	\$4,178,825	\$13,775,016

**City of Nelsonville, Ohio**  
*Balance Sheet*  
 Governmental Funds  
 December 31, 2019

	General	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and				
Cash Equivalents	\$111,581	\$473,219	\$317,057	\$901,857
Cash and Cash Equivalents in Segregated Accounts	435	0	0	435
Restricted Assets: Cash and				
Cash Equivalents	1,367	0	0	1,367
Receivables:				
Property Taxes	201,774	0	195,857	397,631
Income Taxes	100,010	16,674	0	116,684
Intergovernmental	27,662	0	112,850	140,512
Accounts	1,424	0	3,529	4,953
Interfund	25,345	0	0	25,345
Materials and Supplies Inventory	0	0	35,000	35,000
Prepaid Items	2,439	0	868	3,307
<i>Total Assets</i>	<u>\$472,037</u>	<u>\$489,893</u>	<u>\$665,161</u>	<u>\$1,627,091</u>
<b>Liabilities</b>				
Accounts Payable	\$22,720	\$0	\$8,995	\$31,715
Contracts Payable	0	17,337	0	17,337
Accrued Wages Payable	40,008	0	5,256	45,264
Matured Compensated Absences	6,547	0	0	6,547
Intergovernmental Payable	25,820	0	3,021	28,841
Interfund Payable	0	0	25,345	25,345
<i>Total Liabilities</i>	<u>95,095</u>	<u>17,337</u>	<u>42,617</u>	<u>155,049</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes	153,625	0	149,528	303,153
Unavailable Revenue	163,757	16,674	107,338	287,769
<i>Total Deferred Inflows of Resources</i>	<u>317,382</u>	<u>16,674</u>	<u>256,866</u>	<u>590,922</u>
<b>Fund Balances</b>				
Nonspendable				
Inventories	0	0	35,000	35,000
Prepaid Items	2,439	0	868	3,307
Unclaimed Monies	1,367	0	0	1,367
Restricted for:				
Street Improvements	0	0	253,068	253,068
Recreation	0	0	2,509	2,509
Capital Improvements	0	455,882	0	455,882
Law Enforcement	0	0	14,474	14,474
Community Development	0	0	51,773	51,773
Other Purposes	0	0	14,328	14,328
Assigned	43,207	0	0	43,207
Unassigned (Deficit)	12,547	0	(6,342)	6,205
<i>Total Fund Balances</i>	<u>59,560</u>	<u>455,882</u>	<u>365,678</u>	<u>881,120</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$472,037</u>	<u>\$489,893</u>	<u>\$665,161</u>	<u>\$1,627,091</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, 2019*

<b>Total Governmental Fund Balances</b>		\$881,120
 <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.		12,128,944
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:		
Delinquent Property Taxes	94,478	
Income Taxes	116,684	
Intergovernmental Revenues	76,607	287,769
The net pension/OPEB liabilities are not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	663,174	
Deferred Inflows - Pension	(202,490)	
Net Pension Liability	(2,390,446)	
Deferred Outflows - OPEB	137,654	
Deferred Inflows - Pension	(223,989)	
Net OPEB Liability	(480,756)	(2,496,853)
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 and Fire Pension Payable	(52,872)	
Loans Payable	(735,571)	
Accrued Interest Payable	(6,204)	
Capital Leases Payable	(348,023)	
Compensated Absences	(62,119)	(1,204,789)
 Net Position of Governmental Activities		 \$9,596,191

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, 2019*

	General	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$172,952	\$0	\$270,531	\$443,483
Income Taxes	1,176,912	239,282	0	1,416,194
Permissive Motor Vehicle License Tax	0	0	12,772	12,772
Intergovernmental	155,657	231,293	223,121	610,071
Charges for Services	9,962	0	96,663	106,625
Licenses and Permits	38,664	0	0	38,664
Fines and Forfeitures	13,898	0	1,433	15,331
Interest	32,267	0	1,973	34,240
Contributions and Donations	9,681	0	10,616	20,297
Other	60,965	44,756	10,703	116,424
<i>Total Revenues</i>	<u>1,670,958</u>	<u>515,331</u>	<u>627,812</u>	<u>2,814,101</u>
<b>Expenditures</b>				
Current:				
General Government	620,928	0	0	620,928
Security of Persons and Property:				
Police	856,115	0	14,563	870,678
Fire	491,292	0	0	491,292
Transportation	0	0	398,334	398,334
Leisure Time Activities	0	0	154,791	154,791
Community Environment	1,271	0	0	1,271
Capital Outlay	0	608,519	0	608,519
Debt Service:				
Principal Retirement	0	64,595	32,274	96,869
Interest and Fiscal Charges	0	12,578	616	13,194
<i>Total Expenditures</i>	<u>1,969,606</u>	<u>685,692</u>	<u>600,578</u>	<u>3,255,876</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(298,648)	(170,361)	27,234	(441,775)
<b>Other Financing Sources</b>				
General Obligation Bonds Issued	120,000	0	0	120,000
<i>Net Change in Fund Balance</i>	(178,648)	(170,361)	27,234	(321,775)
<i>Fund Balances at Beginning of Year</i>	<u>238,208</u>	<u>626,243</u>	<u>338,444</u>	<u>1,202,895</u>
<i>Fund Balances at End of Year</i>	<u>\$59,560</u>	<u>\$455,882</u>	<u>\$365,678</u>	<u>\$881,120</u>

See accompanying notes to the basic financial statements.



**City of Nelsonville, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2019*

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**Net Change in Fund Balances - Total Governmental Funds** (\$321,775)

*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	693,181	
Depreciation Expense	<u>(732,222)</u>	(39,041)

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

Delinquent Property Taxes	14,441	
Income Taxes	(8,423)	
Intergovernmental Revenues	(10,213)	
Other Revenues	<u>(2,421)</u>	(6,616)

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

OWDA Loans Payable	2,878	
OPWC Loans Payable	29,396	
Capital Leases Payable	64,595	
Police and Fire Pension Payable	<u>2,378</u>	99,247

In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, interest is expended when due. 1,455

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

General Obligation Bonds Issued		(120,000)
---------------------------------	--	-----------

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.

Pension	157,623	
OPEB	<u>2,811</u>	160,434

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

Pension	(274,017)	
OPEB	<u>974,662</u>	700,645

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. (1,379)

*Change in Net Position of Governmental Activities* \$472,970

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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$168,100	\$183,674	\$173,500	(\$10,174)
Income Taxes	1,428,000	1,560,298	1,246,908	(313,390)
Intergovernmental	108,240	118,268	155,178	36,910
Charges for Services	200	219	9,282	9,063
Licenses and Permits	35,350	38,625	38,664	39
Fines and Forfeitures	30,100	32,889	13,317	(19,572)
Interest	12,000	13,112	34,629	21,517
Contributions and Donations	12,000	13,112	9,681	(3,431)
Other	40,960	44,755	59,938	15,183
<i>Total Revenues</i>	1,834,950	2,004,952	1,741,097	(263,855)
<b>Expenditures</b>				
Current:				
General Government	513,544	630,894	630,894	0
Security of Persons and Property:				
Police	831,899	820,934	820,934	0
Fire	487,546	488,723	488,723	0
Community and Economic Development	0	1,271	1,271	0
<i>Total Expenditures</i>	1,832,989	1,941,822	1,941,822	0
<i>Excess of Revenues Over (Under) Expenditures</i>	1,961	63,130	(200,725)	(263,855)
<b>Other Financing Sources</b>				
General Obligation Bonds Issued	0	0	120,000	120,000
Advances In	19,438	19,438	0	(19,438)
<i>Total Other Financing Sources</i>	19,438	19,438	120,000	100,562
<i>Net Change in Fund Balance</i>	21,399	82,568	(80,725)	(163,293)
<i>Fund Balance at Beginning of Year</i>	192,369	192,369	192,369	0
<i>Fund Balance at End of Year</i>	\$213,768	\$274,937	\$111,644	(\$163,293)

See accompanying notes to the basic financial statements.

**City of Nelsonville, Ohio**  
**Statement of Fund Net Position**  
**Enterprise Funds**  
**December 31, 2019**

	Water	Sewer	Total Enterprise Funds
<b>Assets</b>			
<b>Current:</b>			
Equity in Pooled Cash and Cash Equivalents	\$583,835	\$668,101	\$1,251,936
Accounts Receivable	157,608	110,320	267,928
Intergovernmental Receivable			0
Materials and Supplies Inventory	1,750	13,735	15,485
Prepaid Items	678	1,029	1,707
<b>Restricted Assets:</b>			
Customer Deposits - Cash and Cash Equivalents	65,878	43,908	109,786
<b>Total Current Assets</b>	<b>809,749</b>	<b>837,093</b>	<b>1,646,842</b>
<b>Noncurrent:</b>			
Nondepreciable Capital Assets	36,497	1,602,239	1,638,736
Depreciable Capital Assets, Net	5,854,713	2,467,162	8,321,875
<b>Total Noncurrent Assets</b>	<b>5,891,210</b>	<b>4,069,401</b>	<b>9,960,611</b>
<b>Total Assets</b>	<b>6,700,959</b>	<b>4,906,494</b>	<b>11,607,453</b>
<b>Deferred Outflows of Resources</b>			
Pension	141,469	187,134	318,306
OPEB	16,948	28,639	38,134
<b>Total Deferred Outflows of Resources</b>	<b>158,417</b>	<b>215,773</b>	<b>356,440</b>
<b>Liabilities</b>			
<b>Current:</b>			
Accounts Payable	11,555	8,898	20,453
Accrued Wages Payable	14,075	14,102	28,177
Contracts Payable	0	103,058	103,058
Intergovernmental Payable	8,789	16,529	25,318
Accrued Interest Payable	36,281	3,056	39,337
OWDA Loans Payable	227,587	84,934	312,521
OPWC Loans Payable	16,626	4,725	21,351
Compensated Absences Payable	11,326	7,491	18,817
Customer Deposits Payable from Restricted Assets	65,878	43,908	109,786
<b>Total Current Liabilities</b>	<b>392,117</b>	<b>286,701</b>	<b>678,818</b>
<b>Long-Term:</b>			
OWDA Loans Payable	3,099,016	1,337,438	4,436,454
OPWC Loans Payable	675,658	91,268	766,926
Compensated Absences Payable	34,991	25,828	60,819
Net Pension Liability	485,042	606,300	1,091,342
Net OPEB Liability	216,112	270,140	486,252
<b>Total Long-Term Liabilities</b>	<b>4,510,819</b>	<b>2,330,974</b>	<b>6,841,793</b>
<b>Total Liabilities</b>	<b>4,902,936</b>	<b>2,617,675</b>	<b>7,520,611</b>
<b>Deferred Inflows of Resources</b>			
Pension	117,040	54,039	160,782
OPEB	75,220	35,908	103,675
<b>Total Deferred Inflows of Resources</b>	<b>192,260</b>	<b>89,947</b>	<b>264,457</b>
<b>Net Position</b>			
Net Investment in Capital Assets	1,885,823	2,551,036	4,436,859
Unrestricted (Deficit)	(121,643)	(136,391)	(258,034)
<b>Total Net Position</b>	<b>\$1,764,180</b>	<b>\$2,414,645</b>	<b>\$4,178,825</b>

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

See accompanying notes to the basic financial statements.

**City of Nelsonville, Ohio**  
*Statement of Revenues, Expenses  
and Changes in Fund Net Position  
Enterprise Funds  
For the Year December 31, 2019*

	Water	Sewer	Total Enterprise Funds
<b>Operating Revenues</b>			
Charges for Services	\$1,340,238	\$897,029	\$2,237,267
Other Operating Revenues	3,622	5,566	9,188
<i>Total Operating Revenues</i>	<u>1,343,860</u>	<u>902,595</u>	<u>2,246,455</u>
<b>Operating Expenses</b>			
Salaries and Wages	331,475	352,195	683,670
Fringe Benefits	97,310	204,809	302,119
Contractual Services	289,678	257,322	547,000
Materials and Supplies	46,361	107,720	154,081
Depreciation	228,297	192,889	421,186
<i>Total Operating Expenses</i>	<u>993,121</u>	<u>1,114,935</u>	<u>2,108,056</u>
<i>Operating Income (Loss)</i>	<u>350,739</u>	<u>(212,340)</u>	<u>138,399</u>
<b>Non-Operating Revenues (Expenses)</b>			
Capital Grants and Contributions	0	177,586	177,586
Loss on Sale of Capital Assets	0	(3,668)	(3,668)
Interest and Fiscal Charges	(73,674)	(21,113)	(94,787)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(73,674)</u>	<u>152,805</u>	<u>79,131</u>
<i>Change in Net Position</i>	277,065	(59,535)	217,530
<i>Net Position at Beginning of Year</i>	<u>1,487,115</u>	<u>2,474,180</u>	<u>3,961,295</u>
<i>Net Position at End of Year</i>	<u><u>\$1,764,180</u></u>	<u><u>\$2,414,645</u></u>	<u><u>\$4,178,825</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, 2019

	Water	Sewer	Total Enterprise Funds
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>			
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$1,332,280	\$879,234	\$2,211,514
Cash Payments for Employee Services and Benefits	(433,206)	(473,631)	(906,837)
Cash Payments to Suppliers for Goods and Services	(333,576)	(374,983)	(708,559)
Other Operating Revenues	4,833	6,777	11,610
Customer Deposits Received	6,300	4,200	10,500
Customer Deposits Returned	(5,664)	(3,776)	(9,440)
<i>Net Cash Provided by Operating Activities</i>	<u>570,967</u>	<u>37,821</u>	<u>608,788</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition of Capital Assets	0	(1,138,954)	(1,138,954)
Proceeds from OWDA Loans	0	915,001	915,001
Principal Paid on OWDA Loans	(223,142)	(80,344)	(303,486)
Interest Paid on OWDA Loans	(75,885)	(21,972)	(97,857)
Principal Paid on OPWC Loans	(33,251)	(9,453)	(42,704)
Capital Contributions	0	177,586	177,586
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(332,278)</u>	<u>(158,136)</u>	<u>(490,414)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	238,689	(120,315)	118,374
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>411,024</u>	<u>832,324</u>	<u>1,243,348</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$649,713</u></u>	<u><u>\$712,009</u></u>	<u><u>\$1,361,722</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>			
<i>Operating Income (Loss)</i>	\$350,739	(\$212,340)	\$138,399
<i>Adjustments:</i>			
Depreciation	228,297	192,889	421,186
(Increase) Decrease in Assets:			
Accounts Receivable	(7,958)	(17,795)	(25,753)
Intergovernmental Receivable	1,211	1,211	2,422
Materials and Supplies Inventory	9,589	(12,640)	(3,051)
Prepays Items	5,890	150	6,040
Deferred Outflows - Pension	113,945	143,412	257,357
Deferred Outflows - OPEB	11,387	21,062	32,449
Increase (Decrease) in Liabilities:			
Accounts Payable	(8,261)	(4,156)	(12,417)
Accrued Wages Payable	1,667	1,557	3,224
Compensated Absences Payable	6,074	6,001	12,075
Customer Deposits	636	424	1,060
Intergovernmental Payable	(74)	4,866	4,792
Net Pension Liability	(527)	(659)	(1,186)
Net OPEB Liability	11,838	14,798	26,636
Deferred Inflows - Pension	(109,159)	(79,084)	(188,243)
Deferred Inflows - OPEB	(44,327)	(21,875)	(66,202)
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$570,967</u></u>	<u><u>\$37,821</u></u>	<u><u>\$608,788</u></u>

See accompanying notes to the basic financial statements.

**City of Nelsonville, Ohio**  
*Statement of Assets and Liabilities*  
*Custodial Funds*  
*December 31, 2019*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$784</u></u>
<b>Liabilities</b>	
Accounts Payable	<u><u>\$784</u></u>

See accompanying notes to the basic financial statements.

**City of Nelsonville, Ohio**  
*Statement of Changes in Fiduciary Net Position*  
*Custodial Funds*  
*December 31, 2019*

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<b>Additions</b>	
Fines and Forfeitures Collected for Other Governments	\$3,597
Contributions from Individuals	404
<i>Total Additions</i>	<u>4,001</u>
 <b>Deductions</b>	
Distributions to the State of Ohio	3,482
Distributions of State Funds to Other Governments	115
Distributions to Individuals	404
<i>Total Deductions</i>	<u>4,001</u>
 <i>Change in Fiduciary Net Position</i>	 0
 <i>Net Position at Beginning of Year - Restated (See Note 3)</i>	 <u>784</u>
<i>Net Position at End of Year</i>	<u><u>\$784</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, 2019*

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**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 of Nelsonville, this includes the departments that provide various services including police and fire protection, recreation (including parks), planning and zoning, street maintenance and repair, water and water pollution control, and general administrative services. These activities are directly controlled by the Council through the budgetary process and by the City Auditor and the City Manager through administrative and managerial requirements and procedures.

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

The City participates in the Athens County Regional Planning Commission 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 16 and 17 to the Basic Financial Statements.

**Note 2 - Summary of Significant Accounting Policies**

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

***A. Basis of Presentation***

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



**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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**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.

**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

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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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.

**Fiduciary Funds** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private purpose trust funds, and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics. The City does not have any trust funds. The City's fiduciary funds are custodial funds. The City's custodial funds account for amounts collected and distributed on behalf of another government or organization. The City's custodial funds account for mayor's court collections that are distributed to various local governments, and fire insurance monies held until cleanup of fire damaged properties is completed within the City.

### ***C. Measurement Focus***

**Government-wide Financial Statements** The government-wide financial statements are prepared using the economic 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.

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

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

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

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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***D. Basis of Accounting***

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

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property 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 represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 9 and 10.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net 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, pension, OPEB, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2019, but which were levied to finance 2020 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income tax revenue, state-levied and locally shared taxes, and grants and entitlements. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide Statement of Net Position. See Notes 9 and 10 for more details.

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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

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

***E. Budgetary Process***

All funds, other than the custodial 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".

The Mayor's Court has a segregated bank account for monies held separate from the City's central bank account. These accounts are presented as "Cash and Cash Equivalents in Segregated Accounts" on the Statement of Assets and Liabilities – Custodial Funds since they are not required to be deposited with the City Treasurer. For 2019, there is no segregated cash.

During 2019, investments were limited to nonnegotiable certificates of deposits, which are reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest is credited to the General Fund and the Street Construction and Maintenance, State Highway, and Permissive Tax Special Revenue Funds. Interest revenue credited to the General Fund during 2019 amounted to \$32,267, which includes \$30,579 assigned from other City funds.

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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

***G. Inventory***

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

***H. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2019, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

***I. Restricted Assets***

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by the creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. 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.

***J. 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 acquisition value as of the date received. The City maintains a capitalization threshold of one thousand five hundred dollars. The City's infrastructure consists of U.S. and State roads which the City maintains, City streets, street signals, and water and sewer systems. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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

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

***K. Compensated Absences***

The City accrues vacation benefits as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees who have worked beyond their one year probationary period. The liability for vacation benefits is recorded as "long-term liabilities, due in one year and due in more than one year" as the City allows employees to accumulate up to three years' worth of vacation accrual.

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

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

***Committed*** The committed fund balance classification includes amounts that can be used only

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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for the specific purposes imposed by formal action (ordinance or resolution) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the City Council. In the general fund, assigned amounts represent intended uses established by the City Council or a City official delegated that authority by City charter, or ordinance, or by State Statute. State Statute authorizes the Director of Finance to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

**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 on the government-wide financial statements. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments of interfund services provided and used are not eliminated.

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

***N. Interfund Assets and Liabilities***

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

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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***O. Accrued Liabilities and Long-Term Liabilities***

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, 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. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

***P. Estimates***

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

***Q. Net Position***

Net position represent 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 computer and the Baird Trust.

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

***R. Pensions/Other Postemployment Benefits (OPEB)***

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

***S. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for sewer 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.



**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

**T. Extraordinary and Special Items**

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

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

For 2019, the City implemented GASB Statement No. 83, *Certain Asset Retirement Obligations*; Statement No. 84, *Fiduciary Activities*; Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*; and related guidance from (GASB) Implementation Guide No. 2019-2, *Fiduciary Activities*.

For 2019, the City also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2018-1*. These changes were incorporated in the City's 2019 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. These changes were incorporated in the City's 2019 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the City will no longer be reporting agency funds. The City reviewed its agency funds and certain funds will be reported in the new fiduciary fund classification of custodial funds, while other funds have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of the City's financial statements.

GASB Statement 88 improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. These changes were incorporated in the City's 2019 financial statements; however, there was no effect on beginning net position/fund balance.

The implementation of GASB Statement No. 84 had the following effect on fiduciary net position as of December 31, 2018:

	Fiduciary Fund
	Custodial
Net Position December 31, 2018	\$1,717
Adjustments:	
GASB 84	(933)
Restated Net Position December 31, 2018	\$784

**Note 4 - Fund Deficits**

The Natureworks Grant Special Revenue Fund had a deficit fund balance of \$5,907 as of December 31, 2019. This deficit is due to a zero cash balance, combined with adjustments for accrued receivables and liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

**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 Balances – Budget and Actual (Budget Basis) presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Prepaid items are reported on the balance sheet (GAAP basis), but not on the budgetary basis.
4. Unrecorded and segregated cash and interest is reported on the balance sheet (GAAP basis), but not on the budgetary basis

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

	General
GAAP Basis	(\$178,648)
Revenue Accruals	69,516
Expenditure Accruals	784
Beginning of Year Unreported Cash	1,429
End of Year Unreported Cash	(1,304)
Beginning of Year Segregated Account	933
End of Year Segregated Accounts	(435)
Beginning of Year Prepaid Items	29,439
End of Year Prepaid Items	(2,439)
Budget Basis	(\$80,725)

**Note 6 - Deposits and Investments**

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

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

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

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.

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) and by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government custodial or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal custodial securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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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.

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

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

At year end, the City had \$1,739 in undeposited cash on hand which is included as part of “Equity in Pooled Cash and Cash Equivalents”.

**Note 7 - Receivables**

Receivables at December 31, 2019, 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.

**A. Property Taxes**

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2019 for real and public utility property taxes represents collections of 2018 taxes.

2019 real property taxes were levied after October 1, 2019, on the assessed value as of January 1, 2019, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2019 real property taxes are collected in and intended to finance 2020.

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. 2019 public utility property taxes which became a lien December 31, 2018, are levied after October 1, 2019, and are collected in 2020 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2019, was \$9.00 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2019 property tax receipts were based are as follows:

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

Real Property	\$49,664,730
Public Utility Personal Property	<u>3,615,210</u>
Total	<u><u>\$53,279,940</u></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, 2019, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2019 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.

***C. Intergovernmental Receivable***

A summary of intergovernmental receivables follows:

<b>Governmental Activities:</b>	<u>Amounts</u>
Gasoline Tax	\$81,463
Local Government	26,635
Natureworks Grant	19,438
Motor Vehicle License Tax	11,333
Bureau of Worker's Compensation	1,027
Permissive Motor Vehicle License Tax	592
Athens County Clerk of Courts	<u>24</u>
<b>Total Intergovernmental Receivables</b>	<u><u>\$140,512</u></u>

**Note 8 - Capital Assets**

Capital asset activity for the year ended December 31, 2019, was as follows:

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

	Balance at 12/31/18	Additions	Deletions	Balance at 12/31/19
<b>Governmental Activities:</b>				
Capital Assets not being Depreciated:				
Land	\$407,263	\$0	\$0	\$407,263
Construction in Progress	0	190,570	0	190,570
<b>Total Capital Assets not being Depreciated</b>	<b>407,263</b>	<b>190,570</b>	<b>0</b>	<b>597,833</b>
Depreciable Capital Assets:				
Land Improvements	3,376,245	8,050	0	3,384,295
Buildings and Improvements	3,184,705	13,375	0	3,198,080
Furniture, Fixtures, and Equipment	883,803	4,789	(3,200)	885,392
Vehicles	1,849,585	242,739	0	2,092,324
Infrastructure	16,989,354	233,658	0	17,223,012
<b>Total Depreciable Capital Assets</b>	<b>26,283,692</b>	<b>502,611</b>	<b>(3,200)</b>	<b>26,783,103</b>
Less Accumulated Depreciation:				
Land Improvements	(630,176)	(102,354)	0	(732,530)
Buildings and Improvements	(1,323,287)	(85,694)	0	(1,408,981)
Furniture, Fixtures, and Equipment	(536,013)	(50,088)	3,200	(582,901)
Vehicles	(1,296,356)	(80,845)	0	(1,377,201)
Infrastructure	(10,737,138)	(413,241)	0	(11,150,379)
<b>Total Accumulated Depreciation</b>	<b>(14,522,970)</b>	<b>(732,222) *</b>	<b>3,200</b>	<b>(15,251,992)</b>
<b>Total Capital Assets being Depreciated, Net</b>	<b>11,760,722</b>	<b>(229,611)</b>	<b>0</b>	<b>11,531,111</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$12,167,985</b>	<b>(\$39,041)</b>	<b>\$0</b>	<b>\$12,128,944</b>

\*Depreciation expense was charged to governmental programs as follows:

General Government	\$67,606
Security of Persons and Property:	
Police	24,282
Fire	73,001
Transportation	450,301
Leisure Time Activities	110,057
Community Environment	6,975
<b>Total Depreciation Expense</b>	<b>\$732,222</b>

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2019

	Balance at 12/31/18	Additions	Deductions	Balance at 12/31/19
<b>Business-Type Activities:</b>				
Capital Assets not being Depreciated:				
Land	\$155,955	\$596,520	\$0	\$752,475
Construction in Progress	308,135	578,126	0	886,261
Total Capital Assets not being Depreciated	464,090	1,174,646	0	1,638,736
Depreciable Capital Assets:				
Land Improvements	10,826	0	0	10,826
Furniture, Fixtures, and Equipment	639,040	19,108	(34,300)	623,848
Vehicles	465,713	0	0	465,713
Infrastructure	14,861,205	0	(41,296)	14,819,909
Total Capital Assets being Depreciated	15,976,784	19,108	(75,596)	15,920,296
Less Accumulated Depreciation:				
Land Improvements	(8,599)	(353)	0	(8,952)
Furniture, Fixtures, and Equipment	(542,799)	(31,258)	32,904	(541,153)
Vehicles	(226,869)	(43,821)	0	(270,690)
Infrastructure	(6,470,896)	(345,754)	39,024	(6,777,626)
Total Accumulated Depreciation	(7,249,163)	(421,186)	71,928	(7,598,421)
Total Capital Assets being Depreciated, Net	8,727,621	(402,078)	(3,668)	8,321,875
Business-Type Activities Capital Assets, Net	<u>\$9,191,711</u>	<u>\$772,568</u>	<u>(\$3,668)</u>	<u>\$9,960,611</u>

**Note 9 - Defined Benefit Pension Plans**

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

***Net Pension Liability (Asset) /Net OPEB Liability (Asset)***

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

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

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

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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

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

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

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan.

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

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



**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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

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

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

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

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

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

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

	State and Local	Public Safety	Law Enforcement
<b>2019 Statutory Maximum Contribution Rates</b>			
Employer	14.0 %	18.1 %	18.1 %
Employee *	10.0 %	**	***
<b>2019 Actual Contribution Rates</b>			
Employer:			
Pension ****	14.0 %	18.1 %	18.1 %
Post-employment Health Care Benefits *****	0.0	0.0	0.0
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

- \* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.
- \*\* This rate is determined by OPERS' Board and has no maximum rate established by ORC.
- \*\*\* This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.
- \*\*\*\*\* These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

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

For 2019, the City's contractually required contribution was \$119,248 for the traditional plan. \$16,294 is reported as an intergovernmental payable for the traditional plan.

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

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

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

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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

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

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

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either 3 percent or the percent increase, if any, in the Consumer Price Index over the 13 month period ending on September 30<sup>th</sup> of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013, is equal to 3 percent of their base pension or disability benefit.

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

	Police	Firefighters
<b>2019 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
<b>2019 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OP&F was \$113,501 for 2019. Of this amount, \$17,770 is reported as an intergovernmental payable.

In addition to current contributions, the City pays installments on a specific liability the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2019, the specific liability of the City was \$52,872 payable in semi-annual payments through the year 2035.

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

The net pension liability (asset) for OPERS was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2019

that date. OP&F's total pension liability was measured as of December 31, 2018, and was determined by rolling forward the total pension liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense of the City's defined benefit pension plans:

	OPERS		Total
	<u>Traditional Plan</u>	<u>OP&amp;F</u>	
Proportion of the Net Pension Liability/Asset:			
Current Measurement Date	0.00632500%	0.02143300%	
Prior Measurement Date	<u>0.00744100%</u>	<u>0.02133000%</u>	
Change in Proportionate Share	<u>-0.00111600%</u>	<u>0.00010300%</u>	
Proportionate Share of the:			
Net Pension Liability	\$1,732,289	\$1,749,499	\$3,481,788
Pension Expense	215,370	201,701	417,071

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

	OPERS		Total
	<u>Traditional Plan</u>	<u>OP&amp;F</u>	
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$80	\$71,880	\$71,960
Changes of assumptions	150,800	46,382	197,182
Net difference between projected and actual earnings on pension plan investments	235,120	215,537	450,657
Changes in proportion and differences between City contributions and proportionate share of contributions	0	28,932	28,932
City contributions subsequent to the measurement date	<u>119,248</u>	<u>113,501</u>	<u>232,749</u>
Total Deferred Outflows of Resources	<u>\$505,248</u>	<u>\$476,232</u>	<u>\$981,480</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$22,746	\$1,634	\$24,380
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>162,548</u>	<u>176,344</u>	<u>338,892</u>
Total Deferred Inflows of Resources	<u>\$185,294</u>	<u>\$177,978</u>	<u>\$363,272</u>

\$232,749 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2019

pension will be recognized in pension expense as follows:

	OPERS		
	Traditional Plan	OP&F	Total
Year Ending December 31:			
2020	\$53,958	\$68,487	\$122,445
2021	15,587	21,355	36,942
2022	21,812	36,014	57,826
2023	109,349	62,139	171,488
2024	0	(3,242)	(3,242)
Thereafter	0	0	0
Total	\$200,706	\$184,753	\$385,459

***Actuarial Assumptions - OPERS***

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2018, are presented below.

	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.15 percent, simple
Investment Rate of Return	7.2 percent	7.2 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 7.5 percent to 7.2 percent. This change was effective beginning with the 2018 valuation.

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2019

are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

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

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 2.94 percent for 2018.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other investments	18.00	5.50
Total	<u>100.00 %</u>	<u>5.95 %</u>

**Discount Rate** For 2018, the discount rate used to measure the total pension liability was 7.2 percent for the traditional plan and the combined plan. For 2017, the discount rate used to measure the total pension liability was 7.5 percent for the traditional plan and the combined plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the traditional pension plan, combined plan and member-directed plan was applied to all periods of projected benefit payments to determine the total pension liability.

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2019

***Sensitivity of the City’s Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate*** The following table presents the City’s proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 7.2 percent, as well as what the City’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
<b>City's proportionate share of the net pension liability (asset)</b>			
OPERS Traditional Plan	\$2,559,095	\$1,732,289	\$1,045,206

***Actuarial Assumptions – OP&F***

OP&F’s total pension liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2018, are presented below.

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent

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

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

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006,

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2019

adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

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

The most recent experience study was completed for the five year period ended December 31, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2018, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	- %	0.80 %
Domestic Equity	16.00	5.50
Non-US Equity	16.00	5.90
Private Markets	8.00	8.40
Core Fixed Income *	23.00	2.60
High Yield Fixed Income	7.00	4.80
Private Credit	5.00	7.50
U.S. Inflation Linked Bonds*	17.00	2.30
Master Limited Partnerships	8.00	6.40
Real Assets	8.00	7.00
Private Real Estate	12.00	6.10
Total	120.00 %	

Note: Assumptions are geometric.

\* levered 2x

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

**Discount Rate** The total pension liability was calculated using the discount rate of 8.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return of 8.00 percent. Based on those assumptions, the plan's fiduciary net position



**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

***Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 8.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$2,299,596	\$1,749,499	\$1,289,814

**Note 10 - Defined Benefit OPEB Plans**

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

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

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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Funding Policy - The Ohio Revised Code provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care was no longer being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, beginning January 1, 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.0 percent.

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

The City's had no contractually required contribution for 2019. There were no reported intergovernmental payables.

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

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

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

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

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

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2019, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees’ primary responsibility to ensure that pension benefits are adequately funded.

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

The City’s contractually required contribution to OP&F was \$2,811 for 2019. Of this amount, \$439 is reported as an intergovernmental payable.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F’s total OPEB liability was measured as of December 31, 2018, and was determined by rolling forward the total OPEB liability as of January 1, 2018, to December 31, 2018. The City’s proportion of the net OPEB liability was based on the City’s share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&amp;F</u>	
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.005920%	0.0214330%	
Prior Measurement Date	<u>0.007300%</u>	<u>0.0213300%</u>	
Change in Proportionate Share	<u>-0.0013800%</u>	<u>0.0001030%</u>	
Proportionate Share of the Net:			<u>Total</u>
OPEB Liability	\$771,828	\$195,180	\$967,008
OPEB Expense	3,460	(985,239)	(981,779)

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2019

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$261	\$0	\$261
Changes of assumptions	24,885	101,172	126,057
Net difference between projected and actual earnings on OPEB plan investments	35,384	6,607	41,991
Changes in proportion and differences between City contributions and proportionate share of contributions	0	4,668	4,668
City contributions subsequent to the measurement date	<u>0</u>	<u>2,811</u>	<u>2,811</u>
Total Deferred Outflows of Resources	<u>\$60,530</u>	<u>\$115,258</u>	<u>\$175,788</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$2,094	\$5,230	\$7,324
Changes of assumptions	0	54,035	54,035
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>119,043</u>	<u>147,262</u>	<u>266,305</u>
Total Deferred Inflows of Resources	<u>\$121,137</u>	<u>\$206,527</u>	<u>\$327,664</u>

\$2,811 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
2020	(\$38,820)	(\$15,781)	(\$54,601)
2021	(43,932)	(15,781)	(59,713)
2022	4,320	(15,781)	(11,461)
2023	17,825	(13,783)	4,042
2024	0	(16,934)	(16,934)
Thereafter	<u>0</u>	<u>(16,020)</u>	<u>(16,020)</u>
Total	<u>(\$60,607)</u>	<u>(\$94,080)</u>	<u>(\$154,687)</u>

***Actuarial Assumptions - OPERS***

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

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.96 percent
Prior Measurement date	3.85 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate:	
Current measurement date	3.71 percent
Prior Measurement date	3.31 percent
Health Care Cost Trend Rate:	
Current measurement date	10.0 percent, initial 3.25 percent, ultimate in 2029
Prior Measurement date	7.25 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age Normal

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.5 percent to 6.0 percent. This change was effective for the 2018 valuation.

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

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

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2019

Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 5.6 percent for 2018.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other investments	17.00	5.57
Total	<u>100.00 %</u>	<u>5.16 %</u>

**Discount Rate** A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.71 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

**Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate** The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
City's proportionate share of the net OPEB liability	\$987,456	\$771,828	\$600,347

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuary's project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$741,894	\$771,828	\$806,304

***Actuarial Assumptions – OP&F***

OP&F's total OPEB liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Current measurement date	4.66 percent
Prior measurement date	3.24 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

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

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

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

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

The most recent experience study was completed for the five year period ended December 31, 2016.

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

**Discount Rate** For 2019, the total OPEB liability was calculated using the discount rate of 4.66 percent. For 2018, the total OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be



**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 4.13 percent at December 31, 2018 and 3.16 percent at December 31, 2017, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 4.66 percent for 2018 and 3.24 percent for 2017. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2031. The long-term expected rate of return on health care investments was applied to projected costs through 2031, and the municipal bond rate was applied to all health care costs after that date.

***Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate*** Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 4.66 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.66 percent), or one percentage point higher (5.66 percent) than the current rate.

	1% Decrease (3.66%)	Current Discount Rate (4.66%)	1% Increase (5.66%)
City's proportionate share of the net OPEB liability	\$237,783	\$195,180	\$159,419

***Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate*** The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

**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 Principle Life.

The City provides comprehensive major medical insurance through Carefactor. Monthly premiums are \$1,046.93 for single coverage and \$2,879.05 for family coverage. The City pays 85 percent of the total monthly premium. Vision insurance is provided through Employee Vision Trust. The premiums are \$7.77 for single coverage and \$18.09 for family coverage. Dental insurance is provided through Delta Dental. The premiums are \$26.99 for single coverage and \$103.82 for family coverage. The City pays 100 percent of the premiums for vision, dental, and life insurances for all employees.

***B. Compensated Absences***

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

**Note 12 - Risk Management**

***A. Property and Liability***

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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:

<u>Property and Liability</u>	<u>Deductible</u>	<u>Limits of Coverage</u>
Real Property	\$1,000	\$15,388,875
General Liability:		
Each Occurrence	10,000	5,000,000
Employee Benefits:		
Each Occurrence	1,000	1,000,000
Inland Marine	500	607,677
Wrongfull Acts Liability:		
Each Occurrence	10,000	5,000,000
Vehicles:		
Comprehensive	\$500	\$458,927
Collision	1,000	1,000,000
Employee Dishonesty	250	25,000
Law Enforcement:		
Each Occurrence	10,000	5,000,000
Umbrella Coverage:		
Each Occurrence	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 2019, the City participated in the Ohio Municipal League Workers' Compensation Group Rating Program (Program), an insurance purchasing pool (see Note 17). The Program is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating entities is calculated as one experience and a common premium rate is applied to all participants in the Program. Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. In order to allocate the savings derived by formation of the Program, and to maximize the number of participants in the Program, the Program's executive committee annually calculates the total savings which accrued to the Program through its formation. The savings is then compared to the overall savings percentage of the Program. The Program's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Each year the City pays an enrollment fee to the Program to cover the costs of administering the program.

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

**Note 13 - Capital Leases - Lessee Disclosure**

In prior years, the City had entered into several capital leases for the purchase of heavy equipment.

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

The leases meet the criteria of a capital lease which is defined as one which transfers benefits and risks of ownership to the lessee. All capital lease payments are made from governmental funds have been reclassified and are reflected as debt service expenditures in the basic financial statements. One of the leases is for equipment for the water and sewer departments. This lease was incurred in 2016, and the asset was transferred. The asset is reflected in the business type activities, however, the lease continues to be paid from the Capital Improvements Fund. These expenditures are reflected as program expenditures on a budgetary basis.

The assets acquired through capital leases are as follows:

	Governmental Activities	Business Type Activities	Total
Vehicles	\$375,409	\$249,564	\$624,973
Less: Accumulated Depreciation	(87,595)	(87,346)	(174,941)
<b>Total</b>	<b>287,814</b>	<b>162,218</b>	<b>450,032</b>

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, 2019:

Year Ending December 31,	Governmental Activities
2020	\$77,174
2021	77,173
2022	77,173
2023	38,476
2024	38,477
2020-2026	76,952
Total Minimum Lease Payments	385,425
Less: Amount Representing Interest	37,402
Present Value of Net Minimum Lease Payments	<b>\$348,023</b>

**Note 14 - Long - Term Obligations**

A schedule of changes in long-term obligations of the City during 2019 follows:

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2019

	Principal Outstanding 12/31/18	Additions	Deductions	Principal Outstanding 12/31/19	Amounts Due in One Year
<b>Governmental Activities:</b>					
<u>Debt from Direct Borrowings</u>					
2019 Street Sweeper Bond - 3%	\$0	\$120,000	\$0	\$120,000	\$10,500
2007 OWDA 4750 Adams Street Improvements Loan - 2.00%	31,533	0	2,878	28,655	2,936
2008 OPWC (CR12J & CR03L) Adams Street Improvements Loan - 0%	16,918	0	1,517	15,401	759
2014 OPWC CR04P Jefferson and Watkins Street Improvements Loan - 0%	599,394	0	27,879	571,515	13,939
<b>Total Debt from Direct Borrowings</b>	<u>647,845</u>	<u>120,000</u>	<u>32,274</u>	<u>735,571</u>	<u>28,134</u>
Capital Leases	412,618	0	64,595	348,023	66,523
Police and Fire Pension Liability	55,250	0	2,378	52,872	2,480
Compensated Absences	<u>60,740</u>	<u>7,926</u>	<u>6,547</u>	<u>62,119</u>	<u>14,822</u>
Net Pension Liability:					
OPERS	350,205	290,742	0	640,947	0
OP&F	<u>1,309,119</u>	<u>440,380</u>	<u>0</u>	<u>1,749,499</u>	<u>0</u>
<b>Total Net Pension Liability</b>	<u>1,659,324</u>	<u>731,122</u>	<u>0</u>	<u>2,390,446</u>	<u>0</u>
Net OPEB Liability:					
OPERS	237,818	47,758	0	285,576	0
OP&F	<u>1,208,528</u>	<u>0</u>	<u>1,013,348</u>	<u>195,180</u>	<u>0</u>
<b>Total Net OPEB Liability</b>	<u>1,446,346</u>	<u>47,758</u>	<u>1,013,348</u>	<u>480,756</u>	<u>0</u>
<b>Total Governmental Activities</b>	<u>\$4,282,123</u>	<u>\$906,806</u>	<u>\$1,119,142</u>	<u>\$4,069,787</u>	<u>\$111,959</u>

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2019

	Principal Outstanding 12/31/18	Additions	Deductions	Principal Outstanding 12/31/19	Amounts Due in One Year
<b>Business-Type Activities:</b>					
<u>Loans from Direct Borrowings</u>					
OWDA Loans:					
2002 Sewer Digester Loan - 2.20%	\$169,802	\$0	\$55,367	\$114,435	\$56,592
2002 State Route 33 Sewer Improvements Loan - 2.00%	75,922	0	16,289	59,633	16,616
2007 Adams Street Sewer Improvements Loan - 2.00%	89,346	0	8,156	81,190	8,320
2002 Water Improvements Loan - 2.00%	69,044	0	14,813	54,231	15,111
2007 Adams Street Water Improvements Loan - 2.00%	89,346	0	8,156	81,190	8,320
2012 Water Treatment Plant Loan - 1.98%	3,391,355	0	200,173	3,191,182	204,156
2016 Robbins Road Sewer Loan - 0.75%	104,155	0	532	103,623	3,406
2018 Waste Water Treatment Plant - 0.00%	148,490	280,892	0	429,382	0
2019 Land Acquisition for WWTP - 3.4%	0	634,109	0	634,109	0
<b>Total OWDA Loans</b>	<b>4,137,460</b>	<b>915,001</b>	<b>303,486</b>	<b>4,748,975</b>	<b>312,521</b>
OPWC Loans:					
2008 Adams Street Sewer Improvements Loan - 0% - CR12J CR03L	105,446	0	9,453	95,993	2,151
2008 Adams Street Water Improvements Loan - 0% - CR12J CR03L	103,201	0	9,251	93,950	7,200
2011 Water Booster Station Improvement Loan - 0% -CU11N	15,667	0	667	15,000	333
2012 Water Treatment Plant Loan Loan - 0% - CR180	606,667	0	23,333	583,334	11,667
<b>Total OPWC Loans</b>	<b>830,981</b>	<b>0</b>	<b>42,704</b>	<b>788,277</b>	<b>21,351</b>
<b>Total Loans from Direct Borrowings</b>	<b>4,968,441</b>	<b>915,001</b>	<b>346,190</b>	<b>5,537,252</b>	<b>333,872</b>
Compensated Absences	67,561	12,075	0	79,636	18,817
Net Pension Liability - OPERS:					
Water	408,572	76,470	0	485,042	0
Sewer	408,572	197,728	0	606,300	0
<b>Total Net Pension Liability - OPERS</b>	<b>817,144</b>	<b>274,198</b>	<b>0</b>	<b>1,091,342</b>	<b>0</b>
Net OPEB Liability - OPERS:					
Water	277,454	0	61,342	216,112	0
Sewer	277,454	0	7,314	270,140	0
<b>Total Net OPEB Liability - OPERS</b>	<b>554,908</b>	<b>0</b>	<b>68,656</b>	<b>486,252</b>	<b>0</b>
<b>Total Business-Type Activities</b>	<b>\$6,408,054</b>	<b>\$1,201,274</b>	<b>\$414,846</b>	<b>\$7,194,482</b>	<b>\$352,689</b>

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

The Bond for the Street Sweeper, issued in 2019, is from direct borrowings contain provisions that in the event of default the issuer may (1) declare the entire principal amount outstanding and accrued interest immediately due and payable (2) for the account of the association incur and pay reasonable expense for

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

repair maintenance and operation for the facility and such other reasonable expenses as may be necessary to cure the cause of default, (3) take possession of the facility, repair, maintain and operate or rent it. Principal requirements to retire the Street Sweeper Loan will be paid from the General fund, the liability at December 31, 2019, are as follows:

Year Ended December 31,	Principal	Interest	Total
2020	\$10,500	\$3,600	\$14,100
2021	10,700	3,285	13,985
2022	11,200	2,964	14,164
2023	11,400	2,628	14,028
2024	11,800	2,286	14,086
2025-2028	64,400	5,913	70,313
	<u>\$120,000</u>	<u>\$20,676</u>	<u>\$140,676</u>

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

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

The 2007 OWDA Adams Street Improvement Loan, authorized for \$43,599, was used to finance street improvements, and will be repaid through Gas and Motor Vehicle License Tax revenue in the Street Construction and Maintenance Special Revenue Fund, and charges for services revenue in the Water and Sewer Enterprise Funds. Principal requirements to retire the OWDA Adams Street Improvement Loan liability at December 31, 2019, are as follows:

Year Ended December 31,	Principal	Interest	Total
2020	\$2,936	\$559	\$3,495
2021	2,995	499	3,494
2022	3,056	439	3,495
2023	3,117	378	3,495
2024	3,180	315	3,495
2025-2028	13,371	609	13,980
	<u>\$28,655</u>	<u>\$2,799</u>	<u>\$31,454</u>

The 2008 OPWC Adams Street Improvement Loan, in the amount of \$164,063, was used to finance street improvements and will be repaid through Gas and Motor Vehicle License Tax revenue in the Street Construction and Maintenance Special Revenue Fund. Principal requirements to retire the OPWC Adams Street Improvement Loan liability at December 31, 2019, are as follows:

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

Year Ended December 31,	Principal
2020	\$759
2021	1,517
2022	1,516
2023	1,517
2024	1,517
2025-2029	7,407
2030	1,168
	<u>\$15,401</u>

The 2014 OPWC Jefferson and Watkins Streets Improvements Loan, issued in the amount of \$696,970, is being used to finance street improvements. The loan activity is reflected in the Street Construction and Maintenance Special Revenue Fund which received the proceeds. Principal requirements to retire the OPWC Jefferson and Watkins Streets Improvements Loan liability at December 31, 2019, are as follows:

Year Ended December 31,	Principal
2020	\$13,939
2021	27,879
2022	27,879
2023	27,878
2024	27,879
2025-2029	139,394
2030-2034	139,394
2035-2039	139,395
2040	27,878
	<u>\$571,515</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, 2019, are as follows:

Year Ended December 31,	Principal	Interest	Total
2020	\$2,480	\$2,221	\$4,701
2021	2,587	2,115	4,702
2022	2,699	2,003	4,702
2023	2,814	1,887	4,701
2024	2,935	1,767	4,702
2025-2029	16,679	6,830	23,509
2030-2034	20,582	2,927	23,509
2035	2,096	45	2,141
	<u>\$52,872</u>	<u>\$19,795</u>	<u>\$72,667</u>

The 2002 Sewer Digester OWDA Loan, originally obtained for \$947,127; the 2002 OWDA State Route 33 Sewer Improvements Loan, originally obtained for \$290,971; and the 2016 OWDA Robbins Road Sewer Improvements Loan represents amounts borrowed for the purpose of improving the sewer system and will be repaid from charges for services in the Sewer Enterprise Fund.

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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.

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

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 \$4,490,531, is being used to finance the construction of a water treatment plant. The loan is being repaid from charges for services in the Water Enterprise Fund. The project is complete, but has not been closed, and a final amortization schedule is not available at this time, however, payments are being made based on an estimated schedule.

The 2016 OWDA Robbins Road Sewer Improvements Loan, authorized for \$112,028, is being used to finance sewer line extensions and improvements. The loan will be repaid from charges for services in the Enterprise Fund. The project is complete and has been closed, but a final amortization schedule is not available.

The 2018 OWDA Waste Water Treatment Plant Sanitary Sewer Improvements Loan, is being used to finance the Sanitary Sewer Improvement Project. Currently there has been \$429,382 drawn on the loan and it is still pending.

The 2019 OWDA Land Acquisition for the Waste Water Treatment Plant loan was is being used to purchase land for the Waste Water Treatment Plant project. Currently there has been \$634,109 drawn on this loan. This loan is still pending.

Principal and interest requirements to retire OWDA loan liabilities, with the exception of the 2019 Land Acquisition and the 2018 OWDA Waste Water Treatment Plant, at December 31, 2019, are as follows:

December 31,	Principal	Interest	Total
2020	\$312,521	\$77,111	\$389,632
2021	318,834	70,797	389,631
2022	266,151	64,683	330,834
2023	254,490	59,419	313,909
2024	242,425	54,561	296,986
2025-2029	1,265,909	199,216	1,465,125
2030-2034	975,401	65,750	1,041,151
2035-2039	19,344	1,542	20,886
2040-2044	20,082	804	20,886
2045	10,327	117	10,444
	<u>\$3,685,484</u>	<u>\$594,000</u>	<u>\$4,279,484</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.



**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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 the OPWC Loan liability at December 31, 2019, are as follows:

Year Ended December 31,	Principal
2020	\$21,351
2021	42,704
2022	42,703
2023	42,706
2024	42,704
2024-2029	211,372
2030-2034	134,402
2035-2039	120,000
2040-2044	118,668
2045	11,667
	\$788,277

The City has pledged future sewer customer revenues to repay \$1,422,372 in outstanding sewer system OWDA loans obtained in 2002, 2007, 2016, 2018, and 2019. The loans are payable solely from sewer customer net revenues and are payable through 2045. 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 more than 60 percent of net revenues. The total principal and interest remaining to be paid on the loans are \$382,834. Principal and interest payments for the current year were \$96,413, net revenues were \$158,135 and total revenues were \$1,080,181.

The City has pledged future water customer revenues to repay \$3,326,603 in outstanding water system OWDA loans obtained in 2002, 2007, and 2012. The loans are payable solely from water customer net revenues and are payable through 2034. 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 more than 50 percent of net revenues. The total principal and interest remaining to be paid on the loans is \$3,895,852. Principal and interest payments for the current year were \$332,277, net revenues were \$579,036 and total revenues were \$1,343,860.

The City's overall legal debt margin was \$4,630,800 at December 31, 2019.

**Note 15 - Interfund Activity**

**A. Advances**

Interfund Receivable and Interfund Payable balances at December 31, 2019, consisted of an interfund receivable to the General Fund and an interfund payable from the Natureworks Grant Special Revenue Fund in the amount of \$25,345. The 2018 advance from the General Fund to the Natureworks Grant Special Revenue Fund is due to timing differences with a reimbursement-basis grant.

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

**B. Internal Balances – Change in Proportionate Share**

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

	Deferred Outflows	Deferred Inflows
<b>Business-Type Activities</b>		
Water	0	17,750
Sewer	17,750	0
<i>Total Business-Type Activities</i>	17,750	17,750

**Note 16 - Jointly Governed Organizations**

**A. Athens County Regional Planning Commission**

The Athens County Regional Planning Commission was formed to influence favorably the future economic, physical, and social development of Athens County. Membership is composed of the three Athens County Commissioners, one representative from each of the participating municipalities, including the City of Nelsonville, and one representative for every five thousand County residents appointed by the County Commissioners. The Commission is not dependent upon the City of Nelsonville for its continued existence. In 2019, the City did not make any contributions to the Commission.

**B. Athens County Economic Development Council**

The Athens County Economic Development Council was formed to promote economic development in Athens County through the initiation, promotion, and the development of support programs that assists individuals and business in establishing, retaining, expanding, and locating in Athens County. Membership is composed of representatives from the City of Nelsonville, the City of Athens, the Athens County Commission, Ohio University, Hocking College, the Athens County Port Authority, and the Athens County Community Improvement Corporation. The Council is not dependent on the City of Nelsonville for its continued existence. In 2019, the City did not make any contributions to the Council.

**Note 17 - 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 is governed by a Board of Trustees, elected by the membership. The Board consists of two immediate past presidents of the League, as long as they are municipal officials, and 22 Trustees elected for four-year terms. Of the 22 Trustees, at least one must be: the mayor of a city or village; a city manager; a fiscal officer or finance director; a solicitor or director of law; a member of a municipal legislative body, other than the mayor. The Board is the policy-making body and appoints an Executive Director to manage the League under their general direction. Each year, the participants pay an enrollment fee to the Program to cover the costs of administering the Program.

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

**Note 18 - Contingent Liabilities**

**A. Grants**

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2019.

**B. Litigation**

The City of Nelsonville is currently part to pending litigation, however the outcome and potential impact to the financial statements cannot be determined.

**Note 19 - Significant Commitments**

As of December 31, 2019, the City had contractual purchase commitments as follows:

Project	Purchase Commitment	Amount Paid as of 12/31/2019	Amount Remaining on Contract
<b>Governmental - Capital Improvement Fund</b>			
Woodland Bridge Project	\$83,769	\$38,906	\$44,863
Woodlane Slipage	77,000	46,818	30,182
Riverside Drive Slipage	74,300	59,687	14,613
Neighborhood Revitalization	72,500	45,159	27,341
Total General Fund	307,569	190,570	116,999
<b>Water Fund</b>			
Nelsonville Water Asset Management	10,000	8,764	1,236
Nelsonville Water System Analysis	8,400	7,845	555
Total Water Fund	18,400	16,609	1,791
<b>Sewer Fund</b>			
Regional Wastewater Treatment	1,799,070	859,212	939,858
Tri County Lift Station	27,400	27,049	351
Total Sewer Fund	1,826,470	886,261	940,209
<b>Total</b>	<b>\$2,152,439</b>	<b>\$1,093,440</b>	<b>\$1,058,999</b>

**Note 20 - Subsequent Events**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. The City's investment portfolio and the investments of the pension and other employee benefit plans in which the City participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 21 - Special Investigation**

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

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

	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.0063250%	0.0074410%	0.0080100%	0.0096790%	0.0097640%	0.0097640%
City's Proportionate Share of the Net Pension Liability	\$1,732,289	\$1,167,349	\$1,818,935	\$1,676,525	\$1,177,648	\$1,151,048
City's Covered Payroll	\$809,751	\$928,663	\$1,118,589	\$1,158,978	\$1,154,036	\$1,154,751
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	213.93%	125.70%	162.61%	144.66%	102.05%	99.68%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year

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

See accompanying notes to the required supplementary information

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

	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.0059200%	0.0073000%	0.0078200%
City's Proportionate Share of the Net OPEB Liability	\$771,828	\$792,726	\$789,847
City's Covered Payroll	\$809,751	\$966,683	\$1,167,241
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	95.32%	82.00%	67.67%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.33%	54.14%	54.04%

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

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

See accompanying notes to the report supplementary information.

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

	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.0214330%	0.0213300%	0.0254610%	0.0245860%	0.0254689%	0.0254689%
City's Proportionate Share of the Net Pension Liability	\$1,749,499	\$1,309,119	\$1,612,674	\$1,581,635	\$1,319,395	\$1,240,416
City's Covered Payroll	\$526,094	\$467,673	\$547,975	\$520,737	\$525,358	\$519,585
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	332.54%	279.92%	294.30%	303.73%	251.14%	238.73%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.07%	70.91%	68.36%	66.77%	71.71%	73.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information.



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

	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.0214330%	0.0213300%	0.0254610%
City's Proportionate Share of the Net OPEB Liability	\$195,180	\$1,208,528	\$1,208,576
City's Covered Payroll	\$526,094	\$467,673	\$547,975
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	37.10%	258.41%	220.55%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.57%	14.13%	15.96%

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

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

See accompanying notes to the report supplementary information.

**City of Nelsonville, Ohio**  
*Required Supplementary Information*  
*Schedule of City Contributions*  
*Ohio Public Employees Retirement System*  
*Last Seven Years (1)(2)*

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Net Pension Liability - Traditional Plan</b>			
Contractually Required Contribution	\$119,248	\$117,939	\$126,041
Contributions in Relation to the Contractually Required Contribution	<u>(119,248)</u>	<u>(117,939)</u>	<u>(126,041)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$818,982	\$809,751	\$928,663
Contributions as a Percentage of Covered Payroll	<u>14.56%</u>	<u>14.56%</u>	<u>13.57%</u>
<b>Net OPEB Liability - OPEB Plan (3)</b>			
Contractually Required Contribution	\$0	\$0	\$9,667
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>(9,667)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$818,982	\$809,751	\$966,683
Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>1.00%</u>

(1) Information prior to 2013 is not available.

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

(3) Information prior to 2016 is not available.

See accompanying notes to the required supplementary information.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$140,465	\$145,454	\$144,509	\$162,806
<u>(140,465)</u>	<u>(145,454)</u>	<u>(144,509)</u>	<u>(162,806)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,118,589	\$1,158,978	\$1,154,036	\$1,154,751
<u>12.56%</u>	<u>12.55%</u>	<u>12.52%</u>	<u>14.10%</u>
\$23,345			
<u>(23,345)</u>			
<u>\$0</u>			
\$1,167,241			
<u>2.00%</u>			

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

	2019	2018	2017	2016
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$113,501	\$106,388	\$95,354	\$111,668
Contributions in Relation to the Contractually Required Contribution	<u>(113,501)</u>	<u>(106,388)</u>	<u>(95,354)</u>	<u>(92,657)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$19,011</u>
City Covered Payroll (1)	\$562,275	\$526,094	\$467,673	\$547,975
Pension Contributions as a Percentage of Covered Payroll	<u>20.19%</u>	<u>20.22%</u>	<u>20.39%</u>	<u>20.38%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution	\$2,811	\$2,630	\$2,339	\$2,740
Contributions in Relation to the Contractually Required Contribution	<u>(2,811)</u>	<u>(2,630)</u>	<u>(2,339)</u>	<u>(92,657)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$89,917)</u>
City Covered Payroll	\$562,275	\$526,094	\$467,673	\$547,975
OPEB Contributions as a Percentage of Covered Payroll	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>
Total Contributions as a Percentage of Covered Payroll	<u>20.69%</u>	<u>20.72%</u>	<u>20.89%</u>	<u>20.88%</u>

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

See accompanying notes to the required supplementary information.

2015	2014	2013	2012	2011	2010
\$104,598	\$106,586	\$88,724	\$81,209	\$78,896	\$66,114
(89,864)	(86,434)	(57,125)	(45,743)	(67,911)	(74,739)
\$14,734	\$20,152	\$31,599	\$35,466	\$10,985	(\$8,625)
\$520,737	\$525,358	\$519,585	\$557,508	\$557,745	\$474,107
20.09%	20.29%	17.08%	14.57%	14.15%	13.94%
\$2,604	\$2,627	\$18,792	\$37,632	\$37,647	\$32,002
(89,864)	(86,434)	(57,125)	(45,743)	(67,911)	(74,739)
(\$87,260)	(\$83,807)	(\$38,333)	(\$8,111)	(\$30,264)	(\$42,737)
\$520,735	\$525,358	\$519,584	\$557,509	\$557,744	\$474,108
0.50%	0.50%	3.62%	6.75%	6.75%	6.75%
20.59%	20.79%	20.70%	21.32%	20.90%	20.69%

**City of Nelsonville, Ohio**  
**Notes to the Required Supplementary Information**  
**For the year ended December 31, 2019**

**Changes in Assumptions – OPERS Pension– Traditional Plan**

Amounts reported beginning in 2019 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used beginning in 2017 and in 2016 and prior are presented below:

	2019	2018 and 2017	2016 and prior
Wage Inflation	3.25 percent	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:			
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.2 percent	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age

Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

**Changes in Assumptions – OP&F Pension**

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

**City of Nelsonville, Ohio**  
**Notes to the Required Supplementary Information**  
**For the year ended December 31, 2019**

	Beginning in 2018	2017 and Prior
Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Amounts reported beginning in 2018 use valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck/Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

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

Amounts reported beginning in 2018 use valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck/Conduent Modified 2016 Improvement Scale.

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

Amounts reported for 2017 and prior use valuation, rates of death were based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

**City of Nelsonville, Ohio**  
**Notes to the Required Supplementary Information**  
**For the year ended December 31, 2019**

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**Changes in Assumptions – OPERS OPEB**

For 2019, the single discount rate changed from 3.85 percent to 3.96 percent and the municipal bond rate changed from 3.31 percent to 3.71 percent. For 2019, the health care cost trend rate was 10 percent, initial; 3.25 ultimate in 2029. For 2018, the health care cost trend rate was 7.25 percent, initial; 3.25 percent ultimate in 2028.

For 2018, the single discount rate changed from 4.23 percent to 3.85 percent.

**Changes in Assumptions – OP&F OPEB**

For 2019, the single discount rate changed from 3.24 percent to 4.66 percent.

For 2018, the single discount rate changed from 3.79 percent to 3.24 percent.

**Changes in Benefit Terms – OP&F OPEB**

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



**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  
211 Lake Hope Drive  
Nelsonville, Ohio 45764

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, 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, 2019, 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 10, 2021, wherein we noted the City adopted Governmental Accounting Standards Board Statement No. 83, *Certain Asset Retirement Obligations*; Statement No. 84, *Fiduciary Activities*; Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*; and related guidance from (GASB) Implementation Guide No. 2019-2, *Fiduciary Activities* and the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2018-1*. We also noted the financial impact of COVID-19 and the ensuing emergency measures that will impact subsequent periods of the City and that the Auditor of State is conducting a special investigation. As of the date of this report, the investigation is ongoing.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weakness or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify deficiencies in internal control, described in the accompanying Schedule of Findings that we consider significant deficiencies. We consider finding 2019-001, 2019-003 and 2019-004 to be significant deficiencies.

Members of Council  
City of Nelsonville, Athens County  
Independent Auditor's Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters Required by  
Government Auditing Standards

### **Compliance and Other Matters**

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested of 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 one instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of Findings as item 2019-002.

### **Entity Response to Finding**

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

### **Purpose of this Report**

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

*J. L. Uhrig and Associates, Inc.*

J. L. UHRIG AND ASSOCIATES, INC.  
Chillicothe, Ohio

February 10, 2021

**City of Nelsonville, Ohio**  
*Schedule of Findings*  
*For the Year Ended December 31, 2019*

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

***Finding Number 2019-001***

**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 acceptance 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 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 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).

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 2019 governing standard procedures, purchases of bulk fuel and use of government owned vehicles or equipment. Lack of the required policies may result in:

- Questions about proper processes and irregularities in operations;
- 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.

**Officials' Response:** The City understands that the prior administration did not adequately meet the standards on this issue and failed to respond. That said, the current administration is intensely focused on rectifying the problems and will deliver the necessary changes.

**City of Nelsonville, Ohio**  
*Schedule of Findings*  
*For the Year Ended December 31, 2019*

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

***Finding Number 2019-002***

**Noncompliance**

**Payroll Deductions – Timely Submitting Payments**

Federal and the State of Ohio laws require the City to withhold certain taxes from employees' paycheck every pay period and remit to the proper organization by the due date. The City is also required to enroll employees in the appropriate retirement system, and to withhold from the employees' wages, or pay on behalf of the employees, a certain percentage of earned wages as defined and to pay over to the appropriate system the amounts withheld, matched with an appropriate percentage of employer matching contributions by the due date.

Federal income tax, Social Security and Medicare, are to be remitted the IRS monthly by the fifth-tenth day of month that follows the end of the pay period. State of Ohio withholdings are to be remitted to the State monthly by the fifth-tenth day of month that follows the end of the pay period. Ohio Public Employees Retirement System (OPERS) payments are to be remitted no later than the end of the month following the last day of the reporting period. Ohio Police and Fire Fund (OP&F) contributions are due on the last day of the month following the month the wages are paid to the member. All of the above mentioned agencies assess late penalties and interest for any payment not made in a timely manner.

During our Audit we found the City did not pay their employer taxes to the IRS, State of Ohio, OPERS or OP&F retirement system in a timely manner.

The City should ensure that transmittal of all employer taxes are made timely to avoid possible late penalties and interest.

**Officials' Response:** The City understands that the prior administration did not adequately meet the standards on this issue and failed to respond. That said, the current administration is intensely focused on rectifying the problems and will deliver the necessary changes.

**City of Nelsonville, Ohio**  
*Schedule of Findings*  
*For the Year Ended December 31, 2019*

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

***Finding Number 2019-003***

**Significant Deficiency**

**Payroll Deductions – Ohio Public Employees Retirement System (OPERS)**

The City is required to enroll employees in the appropriate retirement system, and to withhold from the employees' wages, or pay on behalf of the employees, a certain percentage of earned wages as defined and to pay over to the appropriate system the amounts withheld, matched with an appropriate percentage of employer matching contributions.

During the audit period, the City realized that their payroll system, which withholds the employee's retirement deduction, was not uploading into the Ohio Public Employees Retirement System (OPERS) correctly. This error in reporting has affected several employee retirement accounts. Accounts were both overstated and understated throughout the period. The City is currently working with OPERS to correct each employee retirement account.

We recommend that the City monitor the system report that is uploaded into OPERS has the correct information before making the payment. If contributions are not withheld and sent to OPERS correctly, the employer could be liable for both the employee and employer contributions, plus interest.

**Officials' Response:** The City understands that the prior administration did not adequately meet the standards on this issue and failed to respond. That said, the current administration is intensely focused on rectifying the problems and will deliver the necessary changes.

***Finding Number 2019-004***

**Significant Deficiency**

**Maintain Physical copies of Payroll Records**

The City performs steps to comply with their policy on the Payroll Cycle. They use a computer system to generate Gross pay and all deductions based on hours worked. The computer system is capable of generating several useful payroll reports during each pay period.

During the audit period, we found the City does not print any payroll reports. While it is possible to generate a report for any past pay period, we feel a physical copy should be maintained. The City should consider printing payroll reports for each pay period or at least maintaining an electronic copy downloaded to a computer as well as a back-up copy.

**Officials' Response:** The City understands that the prior administration did not adequately meet the standards on this issue and failed to respond. That said, the current administration is intensely focused on rectifying the problems and will deliver the necessary changes.



# City of Nelsonville

P.O. Box 370 • 211 Lake Hope Drive  
Nelsonville, Ohio 45764

**Taylor Sappington, City Auditor**

<b>Finding Number</b>	<b>Description</b>	<b>Status</b>	<b>Comments</b>
<b><i>Government Auditing Standards:</i></b>			
2018-001	Formal policy and procedures for bulk fuel and use of government owned vehicles or equipment.	Not Corrected	Reissued as Finding 2019-001

# OHIO AUDITOR OF STATE KEITH FABER



**CITY OF NELSONVILLE**

**ATHENS COUNTY**

## **AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 5/11/2021**

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

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)