



OHIO AUDITOR OF STATE
KEITH FABER



**CITY OF NELSONVILLE
ATHENS COUNTY
DECEMBER 31, 2022**

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ATHENS COUNTY
DECEMBER 31, 2022**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

City of Nelsonville
Athens County
PO Box 370
Nelsonville, Ohio 45764

To the City Council:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Nelsonville, Athens County, Ohio (City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Nelsonville, Athens County, Ohio as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons for the General Fund and Betty Johnson Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the City restated the Net Position at December 31, 2021 for the Governmental Activities due to the identification of an understatement of Due within One Year and Due in More than One year liabilities relating to a finance purchase. In addition, the City restated the Net Position at December 31, 2021 for the Governmental Activities, Business Type Activities, Water Fund, Sewer Fund, and Nonmajor Enterprise Fund to include the combined plan amounts relating to the Ohio Public Employees retirement System Net Pension Liability. Finally, the City restated the Net Position at December 31, 2021 for the Custodial Fund due to overstatement relating to Cash and Cash Equivalents in Segregated Accounts and Intergovernmental Payable. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedules of Net Pension Liability/(Asset) and Other Post-Employment Benefit Liabilities/(Assets), and Schedules of Pension and Other Post-Employment Benefit Contributions be presented to supplement the basic financial statements. Such information is the responsibility of

management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2024, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

May 29, 2024

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City of Nelsonville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2022
Unaudited

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, 2022. 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 2022 are as follows:

- In total, net position increased \$6,636,359. Net position of governmental activities increased \$362,809 from 2021. Net position of business-type activities also increased \$6,273,550 from 2021.
- In total, assets increased \$8,540,456. Governmental activities assets increased \$286,810; the business-type activities assets increased \$8,253,646.
- In total, liabilities increased \$2,174,535. Total liabilities of governmental activities increased \$271,254; the total liabilities of business-type activities increased \$1,903,281.

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 2022?" 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, 2022
Unaudited

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

- **Governmental Activities** – Most of the City's services are reported here including police, fire, administration, and all departments with the exception of our water, sewer, and sanitation services.
- **Business-Type Activities** – Water and sewer services 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. The City also started sanitation services in 2021, the City charges fees to recoup the cost of the operations of the sanitation services.

Reporting the City of Nelsonville's Most Significant Funds

Fund Financial Statements

The basic governmental fund financial statements begin on page 18. 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, sewer, and sanitation 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.

City of Nelsonville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2022
Unaudited

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 2022 compared to 2021.

(Table 1)
Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2022 | Restated 2021 | 2022 | Restated 2021 | 2022 | Restated 2021 |
| Assets | | | | | | |
| Current and Other Assets | \$3,221,310 | \$2,494,278 | \$3,579,038 | \$5,581,957 | \$6,800,348 | \$8,076,235 |
| Capital Assets, Net | 12,095,978 | 12,550,446 | 33,694,133 | 23,529,719 | 45,790,111 | 36,080,165 |
| Net Pension Asset | 4,610 | 147 | 15,437 | 312 | 20,047 | 459 |
| Net OPEB Asset | 45,990 | 36,207 | 153,967 | 76,941 | 199,957 | 113,148 |
| <i>Total Assets</i> | <u>15,367,888</u> | <u>15,081,078</u> | <u>37,442,575</u> | <u>29,188,929</u> | <u>52,810,463</u> | <u>44,270,007</u> |
| Deferred Outflows of Resources | | | | | | |
| Pension | 995,386 | 302,072 | 293,429 | 112,348 | 1,184,092 | 414,049 |
| OPEB | 210,360 | 154,613 | 17,835 | 68,727 | 203,732 | 209,794 |
| Asset Retirement Obligation | 0 | 0 | 171,625 | 182,250 | 171,625 | 182,250 |
| <i>Total Deferred Outflows of Resources</i> | <u>1,205,746</u> | <u>456,685</u> | <u>482,889</u> | <u>363,325</u> | <u>1,559,449</u> | <u>806,093</u> |
| Liabilities | | | | | | |
| Current and Other Liabilities | 354,161 | 149,530 | 2,042,933 | 533,220 | 2,397,094 | 682,750 |
| Long-Term Liabilities: | | | | | | |
| Due within One Year | 113,368 | 148,990 | 333,915 | 344,744 | 447,283 | 493,734 |
| Due in More than One Year | | | | | | |
| Net Pension Liability | 1,913,932 | 1,789,304 | 448,854 | 639,503 | 2,362,786 | 2,428,807 |
| Net OPEB Liability | 312,269 | 231,322 | 0 | 0 | 312,269 | 231,322 |
| Other Amounts | 784,653 | 887,983 | 14,431,750 | 13,836,704 | 15,216,403 | 14,724,687 |
| <i>Total Liabilities</i> | <u>3,478,383</u> | <u>3,207,129</u> | <u>17,257,452</u> | <u>15,354,171</u> | <u>20,735,835</u> | <u>18,561,300</u> |
| Deferred Inflows of Resources | | | | | | |
| Property Taxes | 429,298 | 418,941 | 0 | 0 | 429,298 | 418,941 |
| Pension | 848,218 | 391,536 | 558,833 | 284,934 | 1,302,328 | 676,099 |
| OPEB | 239,769 | 305,000 | 159,079 | 236,599 | 374,385 | 528,053 |
| <i>Total Deferred Inflows of Resources</i> | <u>1,517,285</u> | <u>1,115,477</u> | <u>717,912</u> | <u>521,533</u> | <u>2,106,011</u> | <u>1,623,093</u> |
| Net Position | | | | | | |
| Net Investment in Capital Assets | 11,279,764 | 11,659,076 | 17,847,754 | 12,801,487 | 29,127,518 | 24,460,563 |
| Restricted | 1,562,476 | 824,515 | 23,029 | 0 | 1,585,505 | 824,515 |
| Unrestricted (Deficits) | (1,264,274) | (1,268,434) | 2,079,317 | 875,063 | 815,043 | (393,371) |
| <i>Total Net Position</i> | <u>\$11,577,966</u> | <u>\$11,215,157</u> | <u>\$19,950,100</u> | <u>\$13,676,550</u> | <u>\$31,528,066</u> | <u>\$24,891,707</u> |

The net pension liability (NPL) is the largest single governmental liability reported by the City at December 31, 2022. 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

City of Nelsonville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2022
Unaudited

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

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 increased \$286,810. This is primarily due to an increase in cash and cash equivalents, and net pension and OPEB asset. Business-type activities assets increased \$8,253,646. This is primarily due to an increase in capital assets. Capital assets increased mostly in part to the construction of the sewer plant.

Governmental liabilities increased \$271,254, due primarily to a increase in unearned revenue, net pension liability and net OPEB liability. Business-type liabilities increased \$1,903,281, due to an increase in long-term debt, contracts payable, and retainage payable.

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 2022 and 2021.

City of Nelsonville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2022
Unaudited

(Table 2)
Changes in Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for Services | \$202,111 | \$210,679 | \$3,519,084 | \$2,984,423 | \$3,721,195 | \$3,195,102 |
| Operating Grants, Contributions and Interest | 1,044,690 | 486,758 | 0 | 0 | 1,044,690 | 486,758 |
| Capital Grants and Contributions | 0 | 275,265 | 6,449,973 | 3,489,530 | 6,449,973 | 3,764,795 |
| <i>Total Program Revenues</i> | <u>1,246,801</u> | <u>972,702</u> | <u>9,969,057</u> | <u>6,473,953</u> | <u>11,215,858</u> | <u>7,446,655</u> |
| General Revenues | | | | | | |
| Property Taxes | 487,982 | 471,593 | 0 | 0 | 487,982 | 471,593 |
| Income Taxes | 1,568,997 | 1,940,805 | 0 | 0 | 1,568,997 | 1,940,805 |
| Grants and Entitlements | 93,633 | 126,365 | 0 | 0 | 93,633 | 126,365 |
| Interest | 6,273 | 2,976 | 0 | 0 | 6,273 | 2,976 |
| Contributions and Donations | 325 | 2,423 | 0 | 0 | 325 | 2,423 |
| Rent | 8,437 | 0 | 0 | 0 | 8,437 | 0 |
| Gain on Sale of Capital Assets | 0 | 26,513 | 0 | 0 | 0 | 26,513 |
| Other | 178,188 | 61,936 | 29,497 | 42,306 | 207,685 | 104,242 |
| <i>Total General Revenues</i> | <u>2,343,835</u> | <u>2,632,611</u> | <u>29,497</u> | <u>42,306</u> | <u>2,373,332</u> | <u>2,674,917</u> |
| Total Revenues | <u>3,590,636</u> | <u>3,605,313</u> | <u>9,998,554</u> | <u>6,516,259</u> | <u>13,589,190</u> | <u>10,121,572</u> |
| Program Expenses | | | | | | |
| General Government | 615,572 | 498,197 | 0 | 0 | 615,572 | 498,197 |
| Security of Persons and Property: | | | | | | |
| Police | 1,004,197 | 632,204 | 0 | 0 | 1,004,197 | 632,204 |
| Fire | 634,429 | 625,972 | 0 | 0 | 634,429 | 625,972 |
| Transportation | 644,591 | 763,226 | 0 | 0 | 644,591 | 763,226 |
| Leisure Time Activities | 241,018 | 239,984 | 0 | 0 | 241,018 | 239,984 |
| Community Environment | 75,615 | 13,082 | 0 | 0 | 75,615 | 13,082 |
| Interest and Fiscal Charges | 12,405 | 12,435 | 0 | 0 | 12,405 | 12,435 |
| Water | 0 | 0 | 2,245,217 | 792,638 | 2,245,217 | 792,638 |
| Sewer | 0 | 0 | 1,262,311 | 833,601 | 1,262,311 | 833,601 |
| Sanitation | 0 | 0 | 217,476 | 146,887 | 217,476 | 146,887 |
| <i>Total Program Expenses</i> | <u>3,227,827</u> | <u>2,785,100</u> | <u>3,725,004</u> | <u>1,773,126</u> | <u>6,952,831</u> | <u>4,558,226</u> |
| <i>Increase in Net Position</i> | <u>362,809</u> | <u>820,213</u> | <u>6,273,550</u> | <u>4,743,133</u> | <u>6,636,359</u> | <u>5,563,346</u> |
| <i>Restated Net Position at Beginning of Year</i> | <u>11,215,157</u> | <u>10,394,944</u> | <u>13,676,550</u> | <u>8,933,417</u> | <u>24,891,707</u> | <u>1,323,311</u> |
| <i>Net Position at End of Year</i> | <u>\$11,577,966</u> | <u>\$11,215,157</u> | <u>\$19,950,100</u> | <u>\$13,676,550</u> | <u>\$31,528,066</u> | <u>\$24,891,707</u> |

Governmental Activities

Program revenues accounted for 34 percent of total revenues for governmental activities in 2022. The amount of program revenues increased \$274,0 from 2021. This increase is mainly due to the increase in operating grants and contributions and donations. Governmental activities services are primarily funded through general revenues, those basically comprising property taxes and income taxes. These revenue sources make up 87 percent of general revenues and 57 percent of total revenues.

City of Nelsonville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2022
Unaudited

Security of persons and property is a major activity of the City, representing 51 percent of the governmental expenses. During 2022, expenses for police and fire operations amounted to \$1,004,197 and \$634,429, 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, the City's next largest program, accounted for \$644,591 in expenses. These activities were partly funded through contributions and grant funding. The activities not covered through grants and contributions were funded through general revenues.

General government activities accounted for \$615,572 of governmental expenses, an increase of \$117,375 from 2021. This is primarily due to the increase in operating costs in the City Manager, Code Enforcement, City Auditor, and Income Tax departments.

Business-Type Activities

The City's water and sewer operations account for 94 percent of the expenses for the City's business-type activities and are funded from charges for services and capital grants and contributions. During 2022, program revenues exceeded program expenses by \$6,244,053 for all business-type activities.

The minimum water and sewer rates are \$23.80 and \$19.51, respectively, for the first 1,500 gallons of usage. Minimum water and sewer rates for communities outside the City's limits are \$35.70 for water and \$29.27 for sewer. The minimum sanitation rate is \$12.50 per residence per month.

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 \$3,648,177 and expenditures of \$3,097,148.

General Fund

The General Fund is the primary operating fund of the City. At the end of 2022, fund balance was \$777,524. 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 \$746,505 represented 34.7 percent of total General Fund expenditures, while total fund balance represents 36.1 percent of that same amount. 87% of this balance is in the City's treasury. The fund balance of the General Fund decreased by \$187,353 from 2021.

City of Nelsonville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2022
Unaudited

Other Major Governmental Funds

The Betty Johnson Special Revenue Fund was created in 2022 with an ending fund balance of \$683,992.

The fund balance of the Capital Improvements Capital Projects Fund decreased \$37,056. The Capital Improvements Fund's spendable fund balance was \$203,488.

Enterprise Funds

The net position balance of the Water Enterprise Fund decreased \$194,711, due mainly to an increase in salaries and wages, fringe benefits, and material and supplies. The Water Enterprise Fund has an unrestricted net position of \$1,159,131.

The net position balance of the Sewer Enterprise Fund increased \$6,434,920. This increase is mainly due to the increase in capital assets. The Sewer Enterprise Fund has an unrestricted net position of \$1,004,755.

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 2022, the City amended its General Fund appropriations 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 were not amended. Final budgeted expenditures were decreased \$46,581 from the original amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2022, the City had \$12,095,978 in governmental activities and \$33,832,252 in business-type activities invested in capital assets. Table 3 shows fiscal year 2022 balances compared to 2021.

City of Nelsonville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2022
Unaudited

(Table 3)
 Capital Assets at December 31, 2022

| | Governmental Activities | | Business-Type Activities | | Total | |
|---------------------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | Restated | | Restated | | Restated | |
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Land | \$407,263 | \$407,263 | \$752,475 | \$752,475 | \$1,159,738 | \$1,159,738 |
| Construction in Progress | 0 | 0 | 21,132,614 | 10,568,469 | 21,132,614 | 10,568,469 |
| Land Improvements | 2,988,560 | 3,124,108 | 815 | 1,168 | 2,989,375 | 3,125,276 |
| Buildings and Improvements | 1,580,294 | 1,628,223 | 0 | 0 | 1,580,294 | 1,628,223 |
| Furniture, Fixtures, and Equipment | 407,224 | 345,006 | 155,363 | 61,545 | 562,587 | 406,551 |
| Vehicles | 728,982 | 867,179 | 101,665 | 129,366 | 830,647 | 996,545 |
| Infrastructure | 5,969,115 | 6,160,601 | 11,551,201 | 12,016,696 | 17,520,316 | 18,177,297 |
| Intangible Right to Use - Equipment | 14,540 | 18,066 | 0 | 0 | 14,540 | 18,066 |
| Totals | \$12,095,978 | \$12,550,446 | \$33,694,133 | \$23,529,719 | \$45,790,111 | \$36,080,165 |

The assets of the City are reported at cost, net of depreciation. For additional information on capital assets, see Note 7 to the basic financial statements.

Debt

As of December 31, 2022, and December 31, 2021, the City had total long-term debt of \$15,541,714 and \$15,097,294, respectively, as follows:

(Table 4)
 Outstanding Debt at December 31, 2021

| | Governmental Activities | | Business-Type Activities | | Total | |
|-----------------------------------|-------------------------|--------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| OWDA Loans | \$19,667 | \$22,723 | \$5,810,079 | \$5,164,414 | \$5,829,746 | \$5,187,137 |
| OPWC Loans | 513,427 | 542,823 | 681,515 | 724,220 | 1,194,942 | 1,267,043 |
| Bonds | 113,400 | 132,400 | 7,669,800 | 7,688,100 | 7,783,200 | 7,820,500 |
| Leases | 14,540 | 18,066 | 0 | 0 | 14,540 | 18,066 |
| Financed Purchases | 155,180 | 237,744 | 0 | 0 | 155,180 | 237,744 |
| Police and Fire Pension Liability | 45,106 | 47,804 | 0 | 0 | 45,106 | 47,804 |
| Asset Retirement Obligation | 0 | 0 | 519,000 | 519,000 | 519,000 | 519,000 |
| Totals | \$861,320 | \$1,001,560 | \$14,680,394 | \$14,095,734 | \$15,541,714 | \$15,097,294 |

For additional information on the City's debt, see Note 12 to the basic financial statements.

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. Asset retirement obligations (ARO) of \$519,000 associated with the City waste water treatment facilities were estimated by the City Engineer.

City of Nelsonville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2022
Unaudited

CURRENT ISSUES

The City of Nelsonville Auditor's Office made a series of strong accomplishments in 2022. First, the financial outlook for the City continued to stabilize as the balances of funds and accounts grew for another consecutive year. These strengthening fund balances are part of a multi-year plan to recover from major theft and financial dysfunction that plagued City Hall some time ago. These changes also continue to put the community in the position to apply and qualify for bigger and better grants. This means the City can get the investment it has deserved for so long but has been unable to afford. The Finance Office updated its software systems and brought all programs under one platform, ensuring stronger transparency and accountability.

The Utilities department upgraded all utility meters to electronic meters that read in real time and has signed up nearly a quarter of its consumers for paperless billing and payments. Both of these efforts have generated savings in time and resources for residents, ratepayers, and taxpayers. The Auditor's Office has intercepted and stopped multiple threats, scams, and thefts that threatened taxpayer funds and trust. On the banking side, the City transitioned to a positive pay system that upgrades the security of taxpayer funds and has already assisted us in preventing attempts at defrauding City Hall. Meanwhile, the City continues to invest a historic amount in infrastructure upgrades, trainings, and services.

All these changes assist the departments and leadership in stabilizing the ship and investing in our community. Further, the upgrades help us reduce waste and loss before they consume our precious resources. Despite the progress and upgrades, the City was not without fraud attempts as mentioned earlier. Fortunately, the Finance Office worked with community partners to catch them early and quickly. The Auditor's Office will continue to fight corruption and fraud and make it clear to everyone that their money is safe and that fraudsters will be held to account.

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. Should anyone have questions about this or other matters, you can contact Taylor Sappington, Nelsonville City Auditor, 211 Lake Hope Drive, Nelsonville, Ohio 45764 at 740-753-223 or auditor@cityofnelsonville.com. You may also view every transaction at City Hall through the Ohio Checkbook program, which is linked at www.CityOfNelsonville.com.

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City of Nelsonville, Ohio
Statement of Net Position
December 31, 2022

| | Governmental Activities | Business-Type Activities | Total* |
|---|----------------------------|-----------------------------|---------------------|
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$2,376,027 | \$3,112,897 | \$5,488,924 |
| Accounts Receivable | 29,072 | 409,550 | 438,622 |
| Intergovernmental Receivable | 142,934 | 0 | 142,934 |
| Income Taxes Receivable | 123,908 | 0 | 123,908 |
| Prepaid Items | 37,952 | 43,515 | 81,467 |
| Materials and Supplies Inventory | 16,342 | 13,076 | 29,418 |
| Property Taxes Receivable | 495,075 | 0 | 495,075 |
| Nondepreciable Capital Assets | 407,263 | 21,885,089 | 22,292,352 |
| Depreciable Capital Assets, Net | 11,688,715 | 11,809,044 | 23,497,759 |
| Net Pension Asset | 4,610 | 15,437 | 20,047 |
| Net OPEB Asset | 45,990 | 153,967 | 199,957 |
| <i>Total Assets</i> | <u>15,367,888</u> | <u>37,442,575</u> | <u>52,810,463</u> |
| Deferred Outflows of Resources | | | |
| Pension | 995,386 | 293,429 | 1,184,092 |
| OPEB | 210,360 | 17,835 | 203,732 |
| Asset Retirement Obligations | 0 | 171,625 | 171,625 |
| <i>Total Deferred Outflows of Resources</i> | <u>1,205,746</u> | <u>482,889</u> | <u>1,559,449</u> |
| Liabilities | | | |
| Accounts Payable | 22,237 | 32,190 | 54,427 |
| Contracts Payable | 0 | 1,129,720 | 1,129,720 |
| Accrued Wages Payable | 30,428 | 22,597 | 53,025 |
| Intergovernmental Payable | 8,236 | 3,931 | 12,167 |
| Accrued Interest Payable | 4,474 | 43,461 | 47,935 |
| Unearned Revenue | 288,786 | 0 | 288,786 |
| Retainage Payable | 0 | 693,884 | 693,884 |
| Customer Deposits Payable | 0 | 117,150 | 117,150 |
| Long-Term Liabilities: | | | |
| Due within One Year | 113,368 | 333,915 | 447,283 |
| Due in More than One Year: | | | |
| Net Pension Liability | 1,913,932 | 448,854 | 2,362,786 |
| Net OPEB Liability | 312,269 | 0 | 312,269 |
| Other Amounts Due in More than One Year | 784,653 | 14,431,750 | 15,216,403 |
| <i>Total Liabilities</i> | <u>3,478,383</u> | <u>17,257,452</u> | <u>20,735,835</u> |
| Deferred Inflows of Resources | | | |
| Property Taxes | 429,298 | 0 | 429,298 |
| Pension | 848,218 | 558,833 | 1,302,328 |
| OPEB | 239,769 | 159,079 | 374,385 |
| <i>Total Deferred Inflows of Resources</i> | <u>1,517,285</u> | <u>717,912</u> | <u>2,106,011</u> |
| Net Position | | | |
| Net Investment in Capital Assets | 11,279,764 | 17,847,754 | 29,127,518 |
| Restricted for: | | | |
| Street Improvements | 596,518 | 0 | 596,518 |
| Parks and Recreation | 15,344 | 0 | 15,344 |
| Capital Improvements | 201,226 | 0 | 201,226 |
| Law Enforcement | 19,736 | 0 | 19,736 |
| Community Development | 723,880 | 0 | 723,880 |
| Unclaimed Monies | 248 | 0 | 248 |
| Other Purposes | 2,433 | 0 | 2,433 |
| Pension and OPEB Plans | 3,091 | 23,029 | 26,120 |
| Unrestricted (Deficit) | (1,264,274) | 2,079,317 | 815,043 |
| <i>Total Net Position</i> | <u>\$11,577,966</u> | <u>\$19,950,100</u> | <u>\$31,528,066</u> |

*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 Activities
For the Year Ended December 31, 2022

| | Program Revenues | | | |
|---------------------------------------|--------------------|----------------------|--|----------------------------------|
| | Expenses | Charges for Services | Operating Grants, Contributions and Interest | Capital Grants and Contributions |
| Governmental Activities | | | | |
| General Government | \$615,572 | \$136,081 | \$15,804 | \$0 |
| Security of Persons and Property: | | | | |
| Police | 1,004,197 | 6,892 | 6,616 | 0 |
| Fire | 634,429 | 8,424 | 41,514 | 0 |
| Transportation | 644,591 | 0 | 208,435 | 0 |
| Leisure Time Activities | 241,018 | 50,714 | 60,671 | 0 |
| Community Environment | 75,615 | 0 | 711,650 | 0 |
| Interest | 12,405 | 0 | 0 | 0 |
| <i>Total Governmental Activities</i> | <u>3,227,827</u> | <u>202,111</u> | <u>1,044,690</u> | <u>0</u> |
| Business-Type Activities | | | | |
| Water | 2,245,217 | 1,874,456 | 0 | 171,000 |
| Sewer | 1,262,311 | 1,394,362 | 0 | 6,278,973 |
| Sanitation | 217,476 | 250,266 | 0 | 0 |
| <i>Total Business-Type Activities</i> | <u>3,725,004</u> | <u>3,519,084</u> | <u>0</u> | <u>6,449,973</u> |
| <i>Totals</i> | <u>\$6,952,831</u> | <u>\$3,721,195</u> | <u>\$1,044,690</u> | <u>\$6,449,973</u> |

General Revenues

Property Taxes Levied for:

- General Purposes
- Street Construction and Maintenance
- Parks and Recreation

Income Taxes Levied for:

- General Purposes
- Capital Improvements
- Parks and Recreation

Grants and Entitlements not Restricted to Specific Programs

Interest

Contributions and Donations

Rent

Other

Total General Revenues

Change in Net Position

Net Position at Beginning of Year - Restated (See Note 3)

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 |
| (\$463,687) | \$0 | (\$463,687) |
| (990,689) | 0 | (990,689) |
| (584,491) | 0 | (584,491) |
| (436,156) | 0 | (436,156) |
| (129,633) | 0 | (129,633) |
| 636,035 | 0 | 636,035 |
| (12,405) | 0 | (12,405) |
| (1,981,026) | 0 | (1,981,026) |
| 0 | (199,761) | (199,761) |
| 0 | 6,411,024 | 6,411,024 |
| 0 | 32,790 | 32,790 |
| 0 | 6,244,053 | 6,244,053 |
| (1,981,026) | 6,244,053 | 4,263,027 |
| 201,486 | 0 | 201,486 |
| 260,501 | 0 | 260,501 |
| 25,995 | 0 | 25,995 |
| 1,380,717 | 0 | 1,380,717 |
| 156,899 | 0 | 156,899 |
| 31,381 | 0 | 31,381 |
| 93,633 | 0 | 93,633 |
| 6,273 | 0 | 6,273 |
| 325 | 0 | 325 |
| 8,437 | 0 | 8,437 |
| 178,188 | 29,497 | 207,685 |
| 2,343,835 | 29,497 | 2,373,332 |
| 362,809 | 6,273,550 | 6,636,359 |
| 11,215,157 | 13,676,550 | 24,891,707 |
| <u>\$11,577,966</u> | <u>\$19,950,100</u> | <u>\$31,528,066</u> |

City of Nelsonville, Ohio
Balance Sheet
Governmental Funds
December 31, 2022

| | General | Betty Johnson | Capital Improvements | Other Governmental Funds | Total Governmental Funds |
|---|--------------------|------------------|-------------------------|--------------------------------|--------------------------------|
| Assets | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$676,911 | \$683,992 | \$191,695 | \$823,181 | \$2,375,779 |
| Restricted Assets: Cash and Cash Equivalents | 248 | 0 | 0 | 0 | 248 |
| Receivables: | | | | | |
| Property Taxes | 196,108 | 0 | 0 | 298,967 | 495,075 |
| Income Taxes | 109,038 | 0 | 12,391 | 2,479 | 123,908 |
| Intergovernmental Accounts | 39,225 25,543 | 0 0 | 0 0 | 103,709 3,529 | 142,934 29,072 |
| Materials and Supplies Inventory | 0 | 0 | 0 | 16,342 | 16,342 |
| Prepaid Items | 30,771 | 0 | 0 | 7,181 | 37,952 |
| <i>Total Assets</i> | <u>\$1,077,844</u> | <u>\$683,992</u> | <u>\$204,086</u> | <u>\$1,255,388</u> | <u>\$3,221,310</u> |
| Liabilities | | | | | |
| Accounts Payable | \$17,208 | \$0 | \$0 | \$5,029 | \$22,237 |
| Accrued Wages Payable | 27,136 | 0 | 0 | 3,292 | 30,428 |
| Intergovernmental Payable | 7,661 | 0 | 0 | 575 | 8,236 |
| Unearned Revenue | 0 | 0 | 0 | 288,786 | 288,786 |
| <i>Total Liabilities</i> | <u>52,005</u> | <u>0</u> | <u>0</u> | <u>297,682</u> | <u>349,687</u> |
| Deferred Inflows of Resources | | | | | |
| Property Taxes | 169,477 | 0 | 0 | 259,821 | 429,298 |
| Unavailable Revenue | 78,838 | 0 | 598 | 110,144 | 189,580 |
| <i>Total Deferred Inflows of Resources</i> | <u>248,315</u> | <u>0</u> | <u>598</u> | <u>369,965</u> | <u>618,878</u> |
| Fund Balances | | | | | |
| Nonspendable: | | | | | |
| Inventories | 0 | 0 | 0 | 16,342 | 16,342 |
| Prepaid Items | 30,771 | 0 | 0 | 7,181 | 37,952 |
| Unclaimed Monies | 248 | 0 | 0 | 0 | 248 |
| Restricted for: | | | | | |
| Street Improvements | 0 | 0 | 0 | 471,744 | 471,744 |
| Parks and Recreation | 0 | 0 | 0 | 30,023 | 30,023 |
| Capital Improvements | 0 | 0 | 203,488 | 0 | 203,488 |
| Law Enforcement | 0 | 0 | 0 | 20,130 | 20,130 |
| Community Development | 0 | 683,992 | 0 | 39,888 | 723,880 |
| Other Purposes | 0 | 0 | 0 | 2,433 | 2,433 |
| Unassigned | 746,505 | 0 | 0 | 0 | 746,505 |
| <i>Total Fund Balances</i> | <u>777,524</u> | <u>683,992</u> | <u>203,488</u> | <u>587,741</u> | <u>2,252,745</u> |
| <i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i> | <u>\$1,077,844</u> | <u>\$683,992</u> | <u>\$204,086</u> | <u>\$1,255,388</u> | <u>\$3,221,310</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, 2022*

| | | |
|--|-------------|--------------------------------|
| Total Governmental Fund Balances | | \$2,252,745 |
| <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. | | 12,095,978 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds: | | |
| Delinquent Property Taxes | 65,777 | |
| Income Taxes | 5,984 | |
| Intergovernmental Revenues | 96,699 | |
| Charges for Services | 21,120 | 189,580 |
| The net pension/OPEB liabilities (asset) 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 | 995,386 | |
| Deferred Inflows - Pension | (848,218) | |
| Net Pension Asset | 4,610 | |
| Net Pension Liability | (1,913,932) | |
| Deferred Outflows - OPEB | 210,360 | |
| Deferred Inflows - OPEB | (239,769) | |
| Net OPEB Asset | 45,990 | |
| Net OPEB Liability | (312,269) | (2,057,842) |
| 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 | (45,106) | |
| OPWC Loans Payable | (513,427) | |
| OWDA Loans Payable | (19,667) | |
| Bonds Payable | (113,400) | |
| Accrued Interest Payable | (4,474) | |
| Financed Purchase Payable | (155,180) | |
| Leases Payable | (14,540) | |
| Compensated Absences | (36,701) | (902,495) |
| Net Position of Governmental Activities | | <u><u>\$11,577,966</u></u> |

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, 2022

| | General | Betty Johnson | Capital Improvements | Other Governmental Funds | Total Governmental Funds |
|---|------------------|------------------|-------------------------|--------------------------------|--------------------------------|
| Revenues | | | | | |
| Property Taxes | \$208,586 | \$0 | \$0 | \$295,695 | \$504,281 |
| Income Taxes | 1,437,064 | 0 | 163,303 | 32,661 | 1,633,028 |
| Permissive Motor Vehicle License Tax | 0 | 0 | 0 | 8,143 | 8,143 |
| Intergovernmental | 155,484 | 0 | 0 | 248,115 | 403,599 |
| Charges for Services | 44,115 | 0 | 0 | 50,714 | 94,829 |
| Licenses and Permits | 38,301 | 0 | 0 | 0 | 38,301 |
| Fines, Forfeitures and Settlements | 40,969 | 0 | 0 | 6,892 | 47,861 |
| Interest | 6,268 | 0 | 5 | 401 | 6,674 |
| Rent | 8,437 | 0 | 0 | 0 | 8,437 |
| Contributions and Donations | 325 | 683,992 | 0 | 40,519 | 724,836 |
| Other | 26,818 | 0 | 149,995 | 1,375 | 178,188 |
| <i>Total Revenues</i> | <u>1,966,367</u> | <u>683,992</u> | <u>313,303</u> | <u>684,515</u> | <u>3,648,177</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| General Government | 608,988 | 0 | 0 | 17,589 | 626,577 |
| Security of Persons and Property: | | | | | |
| Police | 931,676 | 0 | 0 | 14,631 | 946,307 |
| Fire | 595,596 | 0 | 0 | 0 | 595,596 |
| Transportation | 0 | 0 | 0 | 324,137 | 324,137 |
| Leisure Time Activities | 0 | 0 | 0 | 167,413 | 167,413 |
| Community Environment | 13,440 | 0 | 0 | 22,352 | 35,792 |
| Capital Outlay | 0 | 0 | 250,889 | 0 | 250,889 |
| Debt Service: | | | | | |
| Principal Retirement | 3,526 | 0 | 90,564 | 43,452 | 137,542 |
| Interest | 494 | 0 | 8,906 | 3,495 | 12,895 |
| <i>Total Expenditures</i> | <u>2,153,720</u> | <u>0</u> | <u>350,359</u> | <u>593,069</u> | <u>3,097,148</u> |
| <i>Net Change in Fund Balance</i> | (187,353) | 683,992 | (37,056) | 91,446 | 551,029 |
| <i>Fund Balances at Beginning of Year</i> | <u>964,877</u> | <u>0</u> | <u>240,544</u> | <u>496,295</u> | <u>1,701,716</u> |
| <i>Fund Balances at End of Year</i> | <u>\$777,524</u> | <u>\$683,992</u> | <u>\$203,488</u> | <u>\$587,741</u> | <u>\$2,252,745</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, 2022*

Net Change in Fund Balances - Total Governmental Funds \$551,029

*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 Asset Additions | 430,793 | |
| Depreciation Expense | (885,261) | (454,468) |
| | | |

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

| | | |
|----------------------------|----------|----------|
| Delinquent Property Taxes | (16,299) | |
| Income Taxes | (64,031) | |
| Intergovernmental Revenues | 1,669 | |
| Charges for Services | 21,120 | (57,541) |
| | | |

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 | 3,056 | |
| OPWC Loans Payable | 29,396 | |
| Financed Purchases | 82,564 | |
| Bonds Payable | 19,000 | |
| Leases Payable | 3,526 | |
| Police and Fire Pension Payable | 2,698 | 140,240 |
| | | |

In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, interest is expended when due. 490

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

| | | |
|---------|---------|---------|
| Pension | 196,862 | |
| OPEB | 4,041 | 200,903 |
| | | |

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 | (80,395) | |
| OPEB | 45,773 | (34,622) |
| | | |

Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditure in governmental funds. 16,778

Change in Net Position of Governmental Activities \$362,809

See accompanying notes to the basic financial statements

City of Nelsonville, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Non GAAP Basis)
General Fund
For the Year Ended December 31, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|------------------|-----------|-----------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Property Taxes | \$193,500 | \$193,500 | \$214,316 | \$20,816 |
| Income Taxes | 1,545,000 | 1,545,000 | 1,570,619 | 25,619 |
| Intergovernmental | 113,000 | 178,984 | 177,382 | (1,602) |
| Charges for Services | 15,500 | 50,916 | 44,115 | (6,801) |
| Licenses and Permits | 39,250 | 39,650 | 36,081 | (3,569) |
| Fines and Forfeitures | 79,267 | 79,267 | 44,263 | (35,004) |
| Interest | 2,000 | 2,000 | 6,268 | 4,268 |
| Rent | 0 | 0 | 8,437 | 8,437 |
| Contributions and Donations | 0 | 0 | 325 | 325 |
| Other | 101,800 | 0 | 29,462 | 29,462 |
| <i>Total Revenues</i> | 2,089,317 | 2,089,317 | 2,131,268 | 41,951 |
| Expenditures | | | | |
| Current: | | | | |
| General Government | 522,275 | 609,205 | 609,205 | 0 |
| Security of Persons and Property: | | | | |
| Police | 990,100 | 926,026 | 926,026 | 0 |
| Fire | 561,550 | 597,815 | 597,815 | 0 |
| Community Environment | 30,000 | 13,440 | 13,440 | 0 |
| Debt Service: | | | | |
| Principal | 0 | 3,526 | 3,526 | 0 |
| Interest | 0 | 494 | 494 | 0 |
| <i>Total Expenditures</i> | 2,103,925 | 2,150,506 | 2,150,506 | 0 |
| <i>Net Change in Fund Balance</i> | (14,608) | (61,189) | (19,238) | 41,951 |
| <i>Fund Balance at Beginning of Year</i> | 693,967 | 693,967 | 693,967 | 0 |
| <i>Fund Balance at End of Year</i> | \$679,359 | \$632,778 | \$674,729 | \$41,951 |

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)
Betty Johnson Special Revenue Fund
For the Year Ended December 31, 2022*

| | Budgeted Amounts | | | Variance with Final Budget |
|--|------------------|-------|-----------|-------------------------------|
| | Original | Final | Actual | |
| Revenues | | | | |
| Contributions and Donations | \$0 | \$0 | \$683,992 | \$683,992 |
| <i>Net Change in Fund Balance</i> | 0 | 0 | 683,992 | 683,992 |
| <i>Fund Balance at Beginning of Year</i> | 0 | 0 | 0 | 0 |
| <i>Fund Balance at End of Year</i> | \$0 | \$0 | \$683,992 | \$683,992 |

See accompanying notes to the basic financial statements

City of Nelsonville, Ohio
Statement of Fund Net Position
Enterprise Funds
December 31, 2022

| | Water | Sewer | Nonmajor | Total Enterprise Funds* |
|--|--------------------|---------------------|-----------------|-------------------------------|
| Assets | | | | |
| Current: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$1,389,954 | \$1,562,732 | \$43,061 | \$2,995,747 |
| Accounts Receivable | 218,789 | 161,930 | 28,831 | 409,550 |
| Materials and Supplies Inventory | 6,538 | 6,538 | 0 | 13,076 |
| Prepaid Items | 29,072 | 14,443 | 0 | 43,515 |
| <i>Total Current Assets</i> | <u>1,644,353</u> | <u>1,745,643</u> | <u>71,892</u> | <u>3,461,888</u> |
| Noncurrent: | | | | |
| Restricted Assets: | | | | |
| Customer Deposits - Cash and Cash Equivalents | 70,016 | 46,859 | 275 | 117,150 |
| Net Pension Asset | 9,623 | 5,814 | 0 | 15,437 |
| Net OPEB Asset | 95,979 | 57,988 | 0 | 153,967 |
| Nondepreciable Capital Assets | 2,309,924 | 19,575,165 | 0 | 21,885,089 |
| Depreciable Capital Assets, Net | 5,406,870 | 6,402,174 | 0 | 11,809,044 |
| <i>Total Noncurrent Assets</i> | <u>7,892,412</u> | <u>26,088,000</u> | <u>275</u> | <u>33,980,687</u> |
| <i>Total Assets</i> | <u>9,536,765</u> | <u>27,833,643</u> | <u>72,167</u> | <u>37,442,575</u> |
| Deferred Outflows of Resources | | | | |
| Pension | 256,680 | 80,674 | 0 | 337,354 |
| OPEB | 16,295 | 11,113 | 0 | 27,408 |
| Asset Retirement Obligations | 0 | 171,625 | 0 | 171,625 |
| <i>Total Deferred Outflows of Resources</i> | <u>272,975</u> | <u>263,412</u> | <u>0</u> | <u>536,387</u> |
| Liabilities | | | | |
| Current: | | | | |
| Accounts Payable | 13,848 | 0 | 18,342 | 32,190 |
| Accrued Wages Payable | 13,995 | 8,602 | 0 | 22,597 |
| Contracts Payable | 18,083 | 1,111,637 | 0 | 1,129,720 |
| Retainage Payable | 0 | 693,884 | 0 | 693,884 |
| Intergovernmental Payable | 2,429 | 1,502 | 0 | 3,931 |
| Accrued Interest Payable | 29,379 | 14,082 | 0 | 43,461 |
| OWDA Loans Payable | 233,399 | 21,092 | 0 | 254,491 |
| OPWC Loans Payable | 33,253 | 9,452 | 0 | 42,705 |
| Compensated Absences Payable | 11,449 | 6,770 | 0 | 18,219 |
| Revenue Bonds Payable | 0 | 18,500 | 0 | 18,500 |
| <i>Total Current Liabilities</i> | <u>355,835</u> | <u>1,885,521</u> | <u>18,342</u> | <u>2,259,698</u> |
| Long-Term: | | | | |
| Customer Deposits Payable from Restricted Assets | 70,016 | 46,859 | 275 | 117,150 |
| OWDA Loans Payable | 3,526,400 | 2,029,188 | 0 | 5,555,588 |
| OPWC Loans Payable | 575,900 | 62,910 | 0 | 638,810 |
| Revenue Bonds Payable | 0 | 7,651,300 | 0 | 7,651,300 |
| Asset Retirement Obligation | 0 | 519,000 | 0 | 519,000 |
| Compensated Absences Payable | 44,809 | 22,243 | 0 | 67,052 |
| Net Pension Liability | 279,805 | 169,049 | 0 | 448,854 |
| <i>Total Long-Term Liabilities</i> | <u>4,496,930</u> | <u>10,500,549</u> | <u>275</u> | <u>14,997,754</u> |
| <i>Total Liabilities</i> | <u>4,852,765</u> | <u>12,386,070</u> | <u>18,617</u> | <u>17,257,452</u> |
| Deferred Inflows of Resources | | | | |
| Pension | 358,769 | 243,989 | 0 | 602,758 |
| OPEB | 102,488 | 66,164 | 0 | 168,652 |
| <i>Total Deferred Inflows of Resources</i> | <u>461,257</u> | <u>310,153</u> | <u>0</u> | <u>771,410</u> |
| Net Position | | | | |
| Net Investment in Capital Assets | 3,329,759 | 14,379,876 | 0 | 17,709,635 |
| Restricted for Pension and OPEB Plans | 6,828 | 16,201 | 0 | 23,029 |
| Unrestricted | 1,159,131 | 1,004,755 | 53,550 | 2,217,436 |
| <i>Total Net Position</i> | <u>\$4,495,718</u> | <u>\$15,400,832</u> | <u>\$53,550</u> | <u>\$19,950,100</u> |

*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, 2022*

| | Water | Sewer | Nonmajor | Total Enterprise Funds |
|--|--------------------|---------------------|-----------------|------------------------------|
| Operating Revenues | | | | |
| Charges for Services | \$1,874,456 | \$1,394,362 | \$250,266 | \$3,519,084 |
| Other Operating Revenues | 5,050 | 23,896 | 551 | 29,497 |
| <i>Total Operating Revenues</i> | <u>1,879,506</u> | <u>1,418,258</u> | <u>250,817</u> | <u>3,548,581</u> |
| Operating Expenses | | | | |
| Salaries and Wages | 495,324 | 332,729 | 0 | 828,053 |
| Fringe Benefits | 145,925 | 12,249 | 0 | 158,174 |
| Contractual Services | 395,791 | 516,724 | 217,476 | 1,129,991 |
| Materials and Supplies | 918,524 | 76,828 | 0 | 995,352 |
| Depreciation | 228,655 | 286,609 | 0 | 515,264 |
| Other | 1,060 | 809 | 0 | 1,869 |
| <i>Total Operating Expenses</i> | <u>2,185,279</u> | <u>1,225,948</u> | <u>217,476</u> | <u>3,628,703</u> |
| <i>Operating Income</i> | (305,773) | 192,310 | 33,341 | (80,122) |
| Non-Operating Expenses | | | | |
| Interest | (59,938) | (36,363) | 0 | (96,301) |
| <i>Income (Loss) before Contributions</i> | (365,711) | 155,947 | 33,341 | (176,423) |
| Capital Contributions | 171,000 | 6,278,973 | 0 | 6,449,973 |
| <i>Change in Net Position</i> | (194,711) | 6,434,920 | 33,341 | 6,273,550 |
| <i>Net Position at Beginning of Year - Restated See (Note 3)</i> | <u>4,690,429</u> | <u>8,965,912</u> | <u>20,209</u> | <u>13,676,550</u> |
| <i>Net Position at End of Year</i> | <u>\$4,495,718</u> | <u>\$15,400,832</u> | <u>\$53,550</u> | <u>\$19,950,100</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, 2022

| | Water | Sewer | Nonmajor | Total Enterprise Funds |
|---|---------------------------|---------------------------|------------------------|------------------------------|
| Increase (Decrease) in Cash and Cash Equivalents | | | | |
| Cash Flows from Operating Activities: | | | | |
| Cash Received from Customers | \$1,812,046 | \$1,348,552 | \$239,027 | \$3,399,625 |
| Cash Payments for Employee Services and Benefits | (699,700) | (511,415) | 0 | (1,211,115) |
| Cash Payments to Suppliers for Goods and Services | (1,317,680) | (599,840) | (215,599) | (2,133,119) |
| Other Operating Revenues | 5,050 | 23,896 | 551 | 29,497 |
| Customer Deposits Received | 5,751 | 4,018 | 275 | 10,044 |
| Other Operating Expenses | (1,060) | (809) | 0 | (1,869) |
| Customer Deposits Returned | (5,629) | (3,753) | 0 | (9,382) |
| <i>Net Cash Provided by Operating Activities</i> | <u>(201,222)</u> | <u>260,649</u> | <u>24,254</u> | <u>83,681</u> |
| Cash Flows from Capital and Related Financing Activities: | | | | |
| Acquisition of Capital Assets | (539,044) | (8,593,858) | 0 | (9,132,902) |
| Proceeds from OWDA Loans | 1,099,176 | 39,405 | 0 | 1,138,581 |
| Principal Paid on OWDA Loans | (236,745) | (256,171) | 0 | (492,916) |
| Interest Paid on OWDA Loans | (62,284) | (2,396) | 0 | (64,680) |
| Principal Paid on OPWC Loans | (33,253) | (9,452) | 0 | (42,705) |
| Principal Paid on Bonds | 0 | (18,300) | 0 | (18,300) |
| Interest Paid on Bonds | 0 | (60,838) | 0 | (60,838) |
| Capital Contributions | 171,000 | 6,278,973 | 0 | 6,449,973 |
| <i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i> | <u>398,850</u> | <u>(2,622,637)</u> | <u>0</u> | <u>(2,223,787)</u> |
| <i>Net Increase (Decrease) in Cash and Cash Equivalents</i> | 197,628 | (2,361,988) | 24,254 | (2,140,106) |
| <i>Cash and Cash Equivalents at Beginning of Year</i> | <u>1,262,342</u> | <u>3,971,579</u> | <u>19,082</u> | <u>5,253,003</u> |
| <i>Cash and Cash Equivalents at End of Year</i> | <u><u>\$1,459,970</u></u> | <u><u>\$1,609,591</u></u> | <u><u>\$43,336</u></u> | <u><u>\$3,112,897</u></u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | | | | |
| <i>Operating Income</i> | (\$305,773) | \$192,310 | \$33,341 | (\$80,122) |
| <i>Adjustments:</i> | | | | |
| Depreciation | 228,655 | 286,609 | 0 | 515,264 |
| <i>(Increase) Decrease in Assets:</i> | | | | |
| Accounts Receivable | (62,288) | (45,545) | (10,964) | (118,797) |
| Materials and Supplies Inventory | (4,535) | (4,535) | 0 | (9,070) |
| Prepays Items | (9,146) | 488 | 0 | (8,658) |
| Deferred Outflows - Pension | 92,117 | 174,131 | 0 | 266,248 |
| Deferred Outflows - OPEB | 46,270 | 50,619 | 0 | 96,889 |
| Deferred Outflows - Asset Retirement Obligations | 0 | 10,625 | 0 | 10,625 |
| <i>Increase (Decrease) in Liabilities:</i> | | | | |
| Accounts Payable | 3,449 | (9,300) | 1,877 | (3,974) |
| Accrued Wages Payable | 7,412 | 1,775 | 0 | 9,187 |
| Compensated Absences Payable | (4,654) | 4,211 | 0 | (443) |
| Intergovernmental Payable | (5,967) | (7,934) | 0 | (13,901) |
| Net Pension Liability | 28,470 | (56,019) | 0 | (27,549) |
| Net OPEB Liability (Asset) | 839 | 1,392 | 0 | 2,231 |
| Deferred Inflows - Pension | (138,703) | (212,772) | 0 | (351,475) |
| Deferred Inflows - OPEB | (77,368) | (125,406) | 0 | (202,774) |
| <i>Net Cash Provided by Operating Activities</i> | <u><u>(\$201,222)</u></u> | <u><u>\$260,649</u></u> | <u><u>\$24,254</u></u> | <u><u>\$83,681</u></u> |

Non-Cash Transactions:

The Water Fund had prior year accruals for contracts payable and retainage payable for capital assets in the amount of \$197,315 and \$47,345, respectively.

The Water Fund has contracts payable for capital assets in the amount of \$18,083.

The Sewer Fund had prior year accruals for contracts payable in the amount of \$31,988.

The Sewer Fund has contracts payable and retainage payable for capital assets in the amount of \$1,111,637 and \$693,884, respectively.

See accompanying notes to the basic financial statements

City of Nelsonville, Ohio
Statement of Fund Net Position
Custodial Funds
For the Year Ended December 31, 2022

| | |
|---|------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$20,332 |
| Cash and Cash Equivalents in Segregated Accounts | <u>21,588</u> |
| <i>Total Assets</i> | <u>41,920</u> |
| Liabilities | |
| Accounts Payable | 141 |
| Intergovernmental Payable | <u>21,447</u> |
| <i>Total Liabilities</i> | <u>21,588</u> |
| Net Position | |
| Restricted for Individuals, Organizations and Other Governments | <u><u>\$20,332</u></u> |

See accompanying notes to the basic financial statements

City of Nelsonville, Ohio
Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Year Ended December 31, 2022

| | |
|---|----------------------------|
| Additions | |
| Fines and Forfeitures Collected for Other Governments | \$9,357 |
| Contributions from Individuals | <u>68</u> |
| <i>Total Additions</i> | 9,425 |
| Deductions | |
| Distributions to the State of Ohio | <u>9,425</u> |
| <i>Change in Fiduciary Net Position</i> | 0 |
| <i>Net Position at Beginning of Year - Restated (See Note3)</i> | <u>20,332</u> |
| <i>Net Position at End of Year</i> | <u><u>\$20,332</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, 2022

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 four 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 and the Ohio Small Group Pool Consortium, which are defined as insurance purchasing pools. These organizations are presented in Notes 14 and 15 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, 2022

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 and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for 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.

Betty Johnson Special Revenue Fund The Betty Johnson Special Revenue Fund accounts for contributions from the Betty Johnson Estate restricted for community development of the City of Nelsonville.

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.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

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

Water Fund The Water Fund is a major fund and 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 a major fund and 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.

Sanitation Fund The Sanitation Fund is used to account for the revenues generated from the charges for the sanitation 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 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.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

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.

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 6). 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 asset 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 asset retirement obligations, pension, and OPEB. The deferred outflows of resources related to asset retirement obligations is originally measured at the amount of the corresponding liability. This amount is expensed in a systematic and rational manner over the tangible asset's useful life. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 8 and 9.

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 asset 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, 2022, but which were levied to finance 2023 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

City of Nelsonville, Ohio
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For the Year Ended December 31, 2022

taxes, income tax revenue, intergovernmental revenue, and charges for services. 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 19. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide Statement of Net Position. See Notes 8 and 9 for more details.

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 funds, 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 Fund Net Position – Custodial Funds since they are not required to be deposited with the City Treasurer. For 2022, there was \$21,588 in segregated cash.

During 2022, 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

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

General Fund and the Street Construction and Maintenance, State Highway, and Permissive Tax Special Revenue Funds. Interest revenue credited to the General Fund during 2022 amounted to \$6,268, which includes \$5,447 assigned from other City funds.

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.

The City reports the change in fair value of investments. The calculation of realized gains/losses is independent of the calculation of the change in the fair value of investments. The realized gains/losses of the current period include unrealized amounts from prior periods.

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/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, 2022, 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. Unclaimed monies that are required to be held for five years before they may be utilized by the City are reported as restricted in governmental funds. Restricted assets in the enterprise fund represents customer deposits and amounts held in trust by the pension and OPEB plans for future benefits.

J. Capital Assets

All capital assets (except for intangible right-to-use assets which are discussed below) 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

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

is computed using the straight-line method over the following useful lives in both governmental and business-type funds:

| | Governmental Activities | Business-Type Activities |
|-------------------------------------|----------------------------|-----------------------------|
| 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 |
| Intangible Right to Use - Equipment | 5 - 15 Years | 5 - 20 Years |

The City is reporting intangible right to use assets related to leased equipment. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, these intangible assets are being amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

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.

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

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,

City of Nelsonville, Ohio
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For the Year Ended December 31, 2022

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 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 Balances

On the fund financial statements, outstanding interfund loans and unpaid amounts for interfund 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.

Deferred inflows of resources and deferred outflows of resources from the change in internal proportionate share related to pension items are eliminated 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

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
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activities. These residual amounts are eliminated in the total column of the entity wide statement of net position.

N. 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.

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 and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. 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. Bonds, leases, and long-term loans are recognized as a liability on the governmental fund financial statements when due

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 represents the difference between all other elements in a statement of financial position. 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 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. Restricted Net Position for Pension and OPEB plans represent the corresponding restricted asset amounts after considering the related deferred outflows and deferred inflows.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

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, sanitation, 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.

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.

U. Capital Contributions

Contributions of capital arise from outside contributions of capital assets, grants used for principal forgiveness, or from grants or outside contributions of resources restricted to capital acquisition and construction.

V. Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. The City recognizes unearned revenue for intergovernmental revenue from grants received before the eligibility requirements are met.

W. Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements.

X. OneOhio Opioid Settlement Monies

During 2021, Ohio reached an agreement with the three largest distributors of opioids. Although the settlement has been reached, uncertainties remain related to measurement. As a participating subdivision, the City received the first of eighteen distributions in 2022. This distribution of \$1,328 is reflected as fines, forfeitures, and settlements revenue in the OneOhio Special Revenue Fund in the accompanying financial statements.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 3 - Changes in Accounting Principles

For fiscal year 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* and related guidance from (GASB) Implementation Guide No. 2019-3, *Leases*. The City also implemented GASB Statement No. 91, *Conduit Debt Obligations*; GASB Statement No. 92, *Omnibus 2020*; GASB Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*; and *Implementation Guide No. 2020-1*

GASB Statement 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the City's 2022 financial statements. The City recognized no leases receivable at January 1, 2022. The City recognized \$18,066 in leases payable at January 1, 2022, which was offset by the intangible asset, right to use lease - equipment.

GASB 91 clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

GASB 92 addresses a variety of topics including reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers and references to nonrecurring fair value measurements of assets or liabilities in authoritative literature. These changes did not impact the City's financial statements.

GASB 97, among other items, requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan.

The changes for GASB 87, GASB 91, and GASB 97 were incorporated in the City's 2022 financial statements; however, there was no effect on beginning net position/fund balance.

As of December 31, 2022, the net pension combined plan is now material, so the City will bring these amounts on as a restatement at December 31, 2021.

It was determined that the Due within One Year and Due in More than One year was understated due to a financed purchase of a truck for the Fire Department.

Due to these restatements, the City's change in net position as of December 31, 2021, will be restated as follows:

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

| | Governmental Activities | Business- Type Activities |
|---|----------------------------|---------------------------------|
| Net Position December 31, 2021 | \$11,238,832 | \$13,674,262 |
| Adjustments: | | |
| Due within One Year | (12,013) | 0 |
| Due in More than One Year | (12,739) | 0 |
| Net Pension Asset | 147 | 312 |
| Deferred Outflows - Pension | 1,048 | 2,229 |
| Deferred Inflows - Pension | (118) | (253) |
| Restated Net Position December 31, 2021 | <u>\$11,215,157</u> | <u>\$13,676,550</u> |

| | Water | Sewer | Nonmajor | Total Enterprise |
|---|--------------------|--------------------|-----------------|---------------------|
| Net Position December 31, 2021 | \$4,689,251 | \$8,964,802 | \$20,209 | \$13,674,262 |
| Adjustments: | | | | |
| Net Pension Asset | 161 | 151 | 0 | 312 |
| Deferred Outflows - Pension | 1,147 | 1,082 | 0 | 2,229 |
| Deferred Inflows - Pension | (130) | (123) | 0 | (253) |
| Restated Net Position December 31, 2021 | <u>\$4,690,429</u> | <u>\$8,965,912</u> | <u>\$20,209</u> | <u>\$13,676,550</u> |

It was found that the City's net position for Custodial funds was overstated. Restated amounts for the Custodial Net Position is as follows as of December 31, 2021:

| | Custodial |
|--|-----------------|
| Net Position December 31, 2021 | <u>\$40,390</u> |
| Adjustments: | |
| Cash and Cash Equivalents in Segregated Accounts | (36,011) |
| Intergovernmental Payable | 15,953 |
| Restated Net Position December 31, 2021 | <u>\$20,332</u> |

Note 4 - 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 and the major special revenue fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are:

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

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

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

| | Net Change in Fund Balance | |
|----------------------|----------------------------|---------------|
| | General | Betty Johnson |
| GAAP Basis | (\$165,001) | \$683,992 |
| Revenue Accruals | 144,769 | 0 |
| Expenditure Accruals | 794 | 0 |
| Beginning of Year | | |
| Unrecorded Cash | 210 | 0 |
| Prepaid Items | 33,191 | 0 |
| End of Year | | |
| Unrecorded Cash | (2,430) | 0 |
| Prepaid Items | (30,771) | 0 |
| Budget Basis | (\$19,238) | \$683,992 |

Note 5 - 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.

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

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

- 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.

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 \$8,420 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 6 - Receivables

Receivables at December 31, 2022, consisted primarily of municipal income taxes, property taxes, accounts (billings for user fees including unbilled utility services), interfund, 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 2022 for real and public utility property taxes represents collections of 2021 taxes.

2022 real property taxes were levied after October 1, 2022, on the assessed value as of January 1, 2022, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2022 real property taxes are collected in and intended to finance 2023.

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. 2022 public utility property taxes which became a lien December 31, 2021, are levied after October 1, 2022, and are collected in 2023 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2022, was \$9.00 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2022 property tax receipts were based are as follows:

| | |
|----------------------------------|---------------------|
| Real Property | \$51,121,660 |
| Public Utility Personal Property | <u>4,523,920</u> |
| Total | <u>\$55,645,580</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, 2022, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2022 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.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

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:

| Governmental Activities: | <u>Amounts</u> |
|--|--------------------------------|
| Gasoline Tax | \$89,781 |
| Local Government | 38,583 |
| Motor Vehicle License Tax | 13,421 |
| Ohio Bureau of Workers' Compensation | 642 |
| Permissive Motor Vehicle License Tax | <u>507</u> |
| Total Intergovernmental Receivables | <u><u>\$142,934</u></u> |

Note 7 - Capital Assets

Capital asset activity for the year ended December 31, 2022, was as follows:

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

| | Restated Balance at 12/31/21 | Additions | Deletions | Balance at 12/31/22 |
|--|------------------------------------|--------------------|----------------|------------------------|
| Governmental Activities: | | | | |
| Capital Assets not being Depreciated: | | | | |
| Land | \$407,263 | \$0 | \$0 | \$407,263 |
| Depreciable Capital Assets: | | | | |
| Land Improvements | 4,062,056 | 0 | 0 | 4,062,056 |
| Buildings and Improvements | 3,208,580 | 37,367 | 0 | 3,245,947 |
| Furniture, Fixtures, and Equipment | 985,186 | 132,344 | (1,531) | 1,115,999 |
| Vehicles | 2,010,678 | 0 | 0 | 2,010,678 |
| U.S. and State Roads | 8,825,686 | 0 | 0 | 8,825,686 |
| City Streets | 8,674,391 | 261,082 | 0 | 8,935,473 |
| Street Signals | 665,975 | 0 | 0 | 665,975 |
| Intangible Right to Use Equipment | 18,066 | 0 | 0 | 18,066 |
| Total Depreciable Capital Assets | 28,450,618 | 430,793 | (1,531) | 28,879,880 |
| Less Accumulated Depreciation: | | | | |
| Land Improvements | (937,948) | (135,548) | 0 | (1,073,496) |
| Buildings and Improvements | (1,580,357) | (85,296) | 0 | (1,665,653) |
| Furniture, Fixtures, and Equipment | (640,180) | (70,126) | 1,531 | (708,775) |
| Vehicles | (1,143,499) | (138,197) | 0 | (1,281,696) |
| U.S. and State Roads | (6,082,093) | (267,557) | 0 | (6,349,650) |
| City Streets | (5,257,383) | (185,011) | 0 | (5,442,394) |
| Street Signals | (665,975) | 0 | 0 | (665,975) |
| Intangible Right to Use Equipment ** | 0 | (3,526) | 0 | (3,526) |
| Total Accumulated Depreciation | (16,307,435) | (885,261) * | 1,531 | (17,191,165) |
| Total Capital Assets being Depreciated, Net | 12,143,183 | (454,468) | 0 | 11,688,715 |
| Governmental Activities Capital Assets, Net | \$12,550,446 | (\$454,468) | \$0 | \$12,095,978 |

*Depreciation expense was charged to governmental programs as follows:

| | |
|---|------------------|
| General Government | \$77,245 |
| Security of Persons and Property: | |
| Police | 74,694 |
| Fire | 82,366 |
| Transportation | 495,800 |
| Leisure Time Activities | 111,807 |
| Community Environment | 39,823 |
| Intangible Right to Use Asset - Equipment | 3,526 |
| Total Depreciation Expense | \$885,261 |

** Of the current year depreciation total of \$885,261, \$3,526 is presented as general government expense on the Statement of Activities related to the City's intangible asset of a postage machine, which is included as an Intangible Right to Use Lease. With the implementation of Governmental Accounting Standards Board Statement No. 87, *Leases*, a lease meeting the criteria of this statement requires the lessee to recognize the lease liability and an intangible right to use asset.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
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| | Balance at 12/31/21 | Additions | Deductions | Balance at 12/31/22 |
|---|------------------------|---------------------|----------------|------------------------|
| Business-Type Activities: | | | | |
| Capital Assets not being Depreciated: | | | | |
| Land | \$752,475 | \$0 | \$0 | \$752,475 |
| Construction in Progress | 10,568,469 | 10,564,145 | 0 | 21,132,614 |
| Total Capital Assets not being Depreciated | 11,320,944 | 10,564,145 | 0 | 21,885,089 |
| Depreciable Capital Assets: | | | | |
| Land Improvements | 10,826 | 0 | 0 | 10,826 |
| Furniture, Fixtures, and Equipment | 636,001 | 115,533 | (3,260) | 748,274 |
| Vehicles | 465,713 | 0 | 0 | 465,713 |
| Infrastructure | 19,483,773 | 0 | 0 | 19,483,773 |
| Total Capital Assets being Depreciated | 20,596,313 | 115,533 | (3,260) | 20,708,586 |
| Less Accumulated Depreciation: | | | | |
| Land Improvements | (9,658) | (353) | 0 | (10,011) |
| Furniture, Fixtures, and Equipment | (574,456) | (21,715) | 3,260 | (592,911) |
| Vehicles | (336,347) | (27,701) | 0 | (364,048) |
| Infrastructure | (7,467,077) | (465,495) | 0 | (7,932,572) |
| Total Accumulated Depreciation | (8,387,538) | (515,264) | 3,260 | (8,899,542) |
| Total Capital Assets being Depreciated, Net | 12,208,775 | (399,731) | 0 | 11,809,044 |
| Business-Type Activities Capital Assets, Net | \$23,529,719 | \$10,164,414 | \$0 | \$33,694,133 |

Note 8 - 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) calculations are 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
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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*. The remainder of this note includes the required pension disclosures. See Note 9 for the required OPEB disclosures.

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 is a cost-sharing, multiple employer public employee retirement system which 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. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional 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 Annual Comprehensive Financial Report 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, 2022

| Group A | Group B | Group C |
|--|--|--|
| 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 |
| State and Local | State and Local | State and Local |
| Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 |
| Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30 | Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30 | Combined Plan Formula: 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. The amount of a member's pension benefit vests upon receipt of the initial benefit payment. The options for Public Safety and Law Enforcement permit early retirement under qualifying circumstances as early as age 48 with a reduced benefit.

When a traditional plan benefit recipient has received benefits for 12 months, the member is eligible 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 who retired prior to January 7, 2013, the cost-of-living adjustment is 3 percent. For those retiring on or after January 7, 2013, beginning in calendar year 2019, the adjustment is 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 and will continue to be administered by OPERS), 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. When members

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

Effective January 1, 2022, the Combined Plan is no longer available for member selection.

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

| | State and Local |
|--|--------------------|
| 2022 Statutory Maximum Contribution Rates | |
| Employer | 14.0 % |
| Employee * | 10.0 % |
| 2022 Actual Contribution Rates | |
| Employer: | |
| Pension ** | 14.0 % |
| Post-employment Health Care Benefits ** | 0.0 |
| Total Employer | 14.0 % |
| Employee | 10.0 % |

* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

** 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 2022, the City's contractually required contribution was \$134,279 for the traditional plan and \$8,014 for the combined plan. Of these amounts, \$4,673 is reported as an intergovernmental payable for the traditional plan and \$253 for the combined plan.

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 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
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For the Year Ended December 31, 2022

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 Annual Comprehensive Financial Report 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 under optional plans, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

The COLA amount for members who have 15 or more years of service credit as of July 1, 2013, and members who are receiving a pension benefit that became effective before July 1, 2013, will be equal to 3.0 percent of the member’s base pension benefit.

The COLA amount for members who have less than 15 years of service credit as of July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member’s base pension benefit where the percentage is the lesser of 3.0 percent or the percentage increase in the consumer price index, if any, over the twelve-month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Members who retired prior to July 24, 1986, or their surviving beneficiaries under optional plans are entitled to cost-of-living allowance increases. The annual increase is paid on July 1st of each year. The annual COLA increase is \$360 under a Single Life Annuity Plan with proportional reductions for optional payment plans.

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

| | <u>Police</u> | <u>Firefighters</u> |
|--|----------------|---------------------|
| 2022 Statutory Maximum Contribution Rates | | |
| Employer | 19.50 % | 24.00 % |
| Employee | 12.25 % | 12.25 % |
| 2022 Actual Contribution Rates | | |
| Employer: | | |
| Pension | 19.00 % | 23.50 % |
| Post-employment Health Care Benefits | <u>0.50</u> | <u>0.50</u> |
| Total Employer | <u>19.50 %</u> | <u>24.00 %</u> |
| Employee | <u>12.25 %</u> | <u>12.25 %</u> |

City of Nelsonville, Ohio
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Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$164,135 for 2022. Of this amount, \$5,535 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, 2022, the specific liability of the City was \$45,106 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, 2021, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2021, and was determined by rolling forward the total pension liability as of January 1, 2021, to December 31, 2021. 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:

| | <u>Traditional Plan</u> | <u>Combined Plan</u> | <u>OP&F</u> | |
|--|-------------------------|----------------------|--------------------|--------------|
| Proportion of the Net Pension Liability/Asset: | | | | |
| Current Measurement Date | 0.00670000% | 0.00508800% | 0.02848950% | |
| Prior Measurement Date | <u>0.00635100%</u> | <u>0.00015900%</u> | <u>0.02183280%</u> | |
| Change in Proportionate Share | <u>0.00034900%</u> | <u>0.00492900%</u> | <u>0.00665670%</u> | <u>Total</u> |
| Proportionate Share of the: | | | | |
| Net Pension Liability | \$582,927 | \$0 | \$1,779,859 | \$2,362,786 |
| Net Pension Asset | 0 | (20,047) | 0 | (20,047) |
| Pension Expense | (84,624) | (2,018) | 163,647 | 77,005 |

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

City of Nelsonville, Ohio
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| | OPERS Traditional Plan | OPERS Combined Plan | OP&F | Total |
|---|---------------------------|------------------------|------------------|--------------------|
| Deferred Outflows of Resources | | | | |
| Differences between expected and actual experience | \$29,717 | \$124 | \$51,321 | \$81,162 |
| Changes of assumptions | 72,894 | 1,007 | 325,282 | 399,183 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 43,185 | 0 | 398,059 | 441,244 |
| City contributions subsequent to the measurement date | <u>134,279</u> | <u>8,014</u> | <u>164,135</u> | <u>306,428</u> |
| Total Deferred Outflows of Resources | <u>\$280,075</u> | <u>\$9,145</u> | <u>\$938,797</u> | <u>\$1,228,017</u> |
| Deferred Inflows of Resources | | | | |
| Differences between expected and actual experience | \$12,785 | \$2,242 | \$92,529 | \$107,556 |
| Net difference between projected and actual earnings on pension plan investments | 693,371 | 4,298 | 466,651 | 1,164,320 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | <u>18,080</u> | <u>9,255</u> | <u>47,042</u> | <u>74,377</u> |
| Total Deferred Inflows of Resources | <u>\$724,236</u> | <u>\$15,795</u> | <u>\$606,222</u> | <u>\$1,346,253</u> |

\$306,428 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 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | OPERS Traditional Plan | OPERS Combined Plan | OP&F | Total |
|--------------------------|------------------------------|---------------------------|------------------|--------------------|
| Year Ending December 31: | | | | |
| 2023 | (\$78,989) | (\$2,594) | \$48,875 | (\$32,708) |
| 2024 | (226,112) | (3,097) | (46,947) | (276,156) |
| 2025 | (163,039) | (2,471) | 34,728 | (130,782) |
| 2026 | (110,300) | (2,160) | 45,572 | (66,888) |
| 2027 | 0 | (1,393) | 86,212 | 84,819 |
| Thereafter | <u>0</u> | <u>(2,949)</u> | <u>0</u> | <u>(2,949)</u> |
| Total | <u>(\$578,440)</u> | <u>(\$14,664)</u> | <u>\$168,440</u> | <u>(\$424,664)</u> |

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the value 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
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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, 2021, using the following key actuarial assumptions and methods applied to all periods included in the measurement in accordance with the requirements of GASB 67. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 7.2 percent down to 6.9 percent, for the defined benefit investments. Key actuarial assumptions and methods used in the latest actuarial valuation, prepared as of December 31, 2021, reflecting experience study results, are presented below:

| | <u>OPERS Traditional Plan</u> | <u>OPERS Combined Plan</u> |
|--|---|---|
| Wage Inflation | 2.75 percent | 2.75 percent |
| Future Salary Increases, including inflation | 2.75 to 10.75 percent including wage inflation | 2.75 to 8.25 percent including wage inflation |
| COLA or Ad Hoc COLA: | | |
| Pre-January 7, 2013 Retirees | 3.0 percent, simple | 3.0 percent, simple |
| Post-January 7, 2013 Retirees | 3.0 percent, simple through 2022, then 2.05 percent, simple | 3.0 percent, simple through 2022, then 2.05 percent, simple |
| Investment Rate of Return | 6.9 percent | 6.9 percent |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age |

Key actuarial assumptions and methods used in the prior actuarial valuation, prepared as of December 31, 2020, are presented below:

| | <u>OPERS Traditional Plan</u> | <u>OPERS Combined Plan</u> |
|--|---|---|
| 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 | 3.0 percent, simple | 3.0 percent, simple |
| Post-January 7, 2013 Retirees | 0.5 percent, simple through 2021, then 2.15 percent, simple | 0.5 percent, simple through 2021, then 2.15 percent, simple |
| Investment Rate of Return | 7.2 percent | 7.2 percent |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age |

For 2021, pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all these tables. For 2020, 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

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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 the above-described tables.

The most recent experience study was completed for the five-year period ended December 31, 2020.

During 2021, 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 15.3 percent for 2021.

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 long-term expected 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. Best estimates of geometric rates of return were provided by the Board's investment consultant. For each major class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2021, these best estimates are summarized below:

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Geometric) |
|------------------------|----------------------|--|
| Fixed Income | 24.00% | 1.03% |
| Domestic Equities | 21.00 | 3.78 |
| Real Estate | 11.00 | 3.66 |
| Private Equity | 12.00 | 7.43 |
| International Equities | 23.00 | 4.88 |
| Risk Parity | 5.00 | 2.92 |
| Other investments | 4.00 | 2.85 |
| Total | 100.00% | 4.21% |

Discount Rate The discount rate used to measure the total pension liability for the current year was 6.9 percent for the traditional plan and the combined plan. The discount rate for the prior year was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available

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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.

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 6.9 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 (5.9 percent) or one-percentage-point higher (7.9 percent) than the current rate:

| | 1% Decrease (5.90%) | Discount Rate (6.90%) | 1% Increase (7.90%) |
|--|------------------------|--------------------------|------------------------|
| City's proportionate share of the net pension liability (asset) | | | |
| OPERS Traditional Plan | \$1,536,913 | \$582,927 | (\$210,916) |
| OPERS Combined Plan | (14,959) | (20,047) | (24,015) |

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2021, is based on the results of an actuarial valuation date of January 1, 2021, 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 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. Assumptions considered are: 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, 2021, are presented below.

| | |
|----------------------------|---|
| Valuation Date | January 1, 2021, with actuarial liabilities rolled forward to December 31, 2021 |
| Actuarial Cost Method | Entry Age Normal |
| Investment Rate of Return | 7.5 percent |
| Projected Salary Increases | 3.75 percent to 10.5 percent |
| Payroll Growth | 3.25 percent per annum, compounded annually, consisting of Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent |
| Cost of Living Adjustments | 2.2 percent simple per year |

In February 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for the 2020 measurement period to 7.5 percent for the 2021 measurement period.

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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, 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, 2021, are summarized below:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---------------------------------|----------------------|---|
| Cash and Cash Equivalents | 0.00 % | 0.00 % |
| Domestic Equity | 21.00 | 3.60 |
| Non-US Equity | 14.00 | 4.40 |
| Private Markets | 8.00 | 6.80 |
| Core Fixed Income * | 23.00 | 1.10 |
| High Yield Fixed Income | 7.00 | 3.00 |
| Private Credit | 5.00 | 4.50 |
| U.S. Inflation Linked Bonds* | 17.00 | 0.80 |
| Midstream Energy Infrastructure | 5.00 | 5.00 |
| Real Assets | 8.00 | 5.90 |
| Gold | 5.00 | 2.40 |
| Private Real Estate | 12.00 | 4.80 |
| | 125.00 % | |

Note: Assumptions are geometric.

* levered 2x

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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 1.25 times due to the application of leverage in certain fixed income asset classes.

Discount Rate For 2021, the total pension liability was calculated using the discount rate of 7.50 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 7.50 percent. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|--|------------------------|-------------------------------------|------------------------|
| City's proportionate share of the net pension liability | \$2,639,506 | \$1,779,859 | \$1,063,985 |

Note 9 - Defined Benefit OPEB Plans

See Note 8 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 (HRA) to qualifying benefit recipients of both the traditional pension and the combined plans. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-

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insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS. For those retiring on or after January 1, 2015, the allowance has been determined by applying a percentage to the base allowance. The percentage applied is based on years of qualifying service credit and age when the retiree first enrolled in OPERS health care. Monthly allowances range between 51 percent and 90 percent of the base allowance. Those who retired prior to January 1, 2015, will have an allowance of at least 75 percent of the base allowance.

The health care 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 separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

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. Members in Group A are eligible for coverage at any age with 30 or more years of qualifying service. Members in Group B are eligible at any age with 32 years of qualifying service, or at age 52 with 31 years of qualifying service. Members in Group C are eligible for coverage with 32 years of qualifying service and a minimum age of 55. Current retirees eligible (or who became eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. 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' Annual Comprehensive Financial Report 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.

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, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2022, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety

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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. For 2022, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and 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 2022 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 2022.

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.

OP&F contracted with a vendor who assists eligible retirees in choosing health care plans that are available where they live (both Medicare-eligible and pre-65 populations). A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses.

Regardless of a benefit recipient's participation in the health care program, OP&F is required by law to pay eligible recipients of a service pension, disability benefit and spousal survivor benefit for their Medicare Part B insurance premium, up to the statutory maximum provided the benefit recipient is not eligible to receive reimbursement from any other source. Once OP&F receives the necessary documentation, a monthly reimbursement is included as part of the recipient's next benefit payment. 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.

OP&F maintains funds for health care in two separate accounts: one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. IRS Code Section 401(h) account is maintained for Medicare Part B reimbursements.

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 or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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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 2022, 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 \$4,041 for 2022. Of this amount, \$136 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 (asset) and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021, 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, 2021, and was determined by rolling forward the total OPEB liability as of January 1, 2021, to December 31, 2021. The City's proportion of the net OPEB liability (asset) 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&F</u> | |
|---|------------------|-------------------|--------------|
| Proportion of the Net OPEB Liability/Asset: | | | |
| Current Measurement Date | 0.006384% | 0.0284895% | |
| Prior Measurement Date | <u>0.006351%</u> | <u>0.0218328%</u> | |
| Change in Proportionate Share | <u>0.000033%</u> | <u>0.0066567%</u> | |
| | | | <u>Total</u> |
| Proportionate Share of the: | | | |
| Net OPEB Liability | \$0 | \$312,269 | \$312,269 |
| Net OPEB Asset | (\$199,957) | \$0 | (\$199,957) |
| OPEB Expense | (\$157,553) | \$8,126 | (\$149,427) |

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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| | <u>OPERS</u> | <u>OP&F</u> | <u>Total</u> |
|---|-------------------------|-------------------------|-------------------------|
| Deferred Outflows of Resources | | | |
| Differences between expected and actual experience | \$0 | \$14,205 | \$14,205 |
| Changes of assumptions | 0 | 138,220 | 138,220 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 2,945 | 53,894 | 56,839 |
| City contributions subsequent to the measurement date | <u>0</u> | <u>4,041</u> | <u>4,041</u> |
| Total Deferred Outflows of Resources | <u>\$2,945</u> | <u>\$210,360</u> | <u>\$213,305</u> |
| Deferred Inflows of Resources | | | |
| Differences between expected and actual experience | \$30,330 | \$41,271 | \$71,601 |
| Changes of assumptions | 80,941 | 36,269 | 117,210 |
| Net difference between projected and actual earnings on OPEB plan investments | 95,325 | 28,208 | 123,533 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | <u>0</u> | <u>71,614</u> | <u>71,614</u> |
| Total Deferred Inflows of Resources | <u>\$206,596</u> | <u>\$177,362</u> | <u>\$383,958</u> |

\$4,041 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 or an increase in the net OPEB asset in 2023. 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&F</u> | <u>Total</u> |
|--------------------------|---------------------------|------------------------|---------------------------|
| 2023 | (\$125,014) | (\$4,385) | (\$129,399) |
| 2024 | (44,118) | (8,572) | (52,690) |
| 2025 | (20,827) | (2,982) | (23,809) |
| 2026 | (13,692) | 10,723 | (2,969) |
| 2027 | 0 | 14,461 | 14,461 |
| Thereafter | <u>0</u> | <u>19,712</u> | <u>19,712</u> |
| Total | <u>(\$203,651)</u> | <u>\$28,957</u> | <u>(\$174,694)</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.

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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. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing historical assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions. The actuarial valuation used for 2021 compared to those used for 2020 are as follows:

| | December 31, 2021 | December 31, 2020 |
|-----------------------------|--------------------------------|--------------------------------|
| Wage Inflation | 2.75 percent | 3.25 percent |
| Projected Salary Increases, | 2.75 to 10.75 percent | 3.25 to 10.75 percent |
| | including wage inflation | including wage inflation |
| Single Discount Rate | 6.00 percent | 6.00 percent |
| Investment Rate of Return | 6.00 percent | 6.00 percent |
| Municipal Bond Rate | 1.84 percent | 2.00 percent |
| Health Care Cost Trend Rate | 5.5 percent, initial | 8.5 percent, initial |
| | 3.50 percent, ultimate in 2034 | 3.50 percent, ultimate in 2035 |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age |

For 2021, pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

For 2020, 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, 2020.

During 2021, 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 Plan eligible members. Within the Health Care portfolio, if any contributions are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll

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payable at the time contributions are made. 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 14.3 percent for 2021.

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 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 rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2021, these best estimates are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Weighted Average Long-Term Expected Real Rate of Return (Geometric)</u> |
|------------------------------|------------------------------|--|
| Fixed Income | 34.00% | 0.91% |
| Domestic Equities | 25.00 | 3.78 |
| Real Estate Investment Trust | 7.00 | 3.71 |
| International Equities | 25.00 | 4.88 |
| Risk Parity | 2.00 | 2.92 |
| Other investments | 7.00 | 1.93 |
| Total | 100.00% | 3.45% |

Discount Rate A single discount rate of 6.0 percent was used to measure the OPEB liability on the measurement date of December 31, 2021. 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 1.84 percent (Fidelity Index's "20-Year Municipal GO AA Index"). 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 2121. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which projected health care payments are fully funded.

Sensitivity of the City's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB asset calculated using the single discount rate of 6.00 percent, as well as what the City's proportionate share of the net OPEB liability

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would be if it were calculated using a discount rate that is one-percentage-point lower (5.00 percent) or one-percentage-point higher (7.00 percent) than the current rate:

| | 1% Decrease (5.00%) | Current Discount Rate (6.00%) | 1% Increase (7.00%) |
|---|------------------------|-------------------------------------|------------------------|
| City's proportionate share of the net OPEB asset | (\$117,593) | (\$199,957) | (\$268,320) |

Sensitivity of the City's Proportionate Share of the Net OPEB Asset 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 asset calculated using the assumed trend rates, and the expected net OPEB asset 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 2022 is 5.50 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 the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries 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 3.50 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 asset | (\$202,117) | (\$199,957) | (\$197,393) |

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2021, is based on the results of an actuarial valuation date of January 1, 2021, 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
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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, 2021, with actuarial liabilities rolled forward to December 31, 2021 |
| Actuarial Cost Method | Entry Age Normal |
| Investment Rate of Return | 7.5 percent |
| Projected Salary Increases | 3.75 percent to 10.5 percent |
| Payroll Growth | 3.25 percent |
| Blended discount rate: | |
| Current measurement date | 2.84 percent |
| Prior measurement date | 2.96 percent |
| Cost of Living Adjustments | 2.2 percent simple per year |

In February 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for the 2020 measurement period to 7.5 percent for the 2021 measurement period.

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 8.

Discount Rate For 2021, the total OPEB liability was calculated using the discount rate of 2.84 percent. For 2020, the total OPEB liability was calculated using the discount rate of 2.96 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 7.5 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.05 percent at

City of Nelsonville, Ohio
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For the Year Ended December 31, 2022

December 31, 2021, and 2.12 percent at December 31, 2020, was blended with the long-term rate of 7.5 percent for 2021 and 8 percent for 2020, which resulted in a blended discount rate of 2.84 percent for 2021 and 2.96 percent for 2020. 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 2037. The long-term expected rate of return on health care investments was applied to projected costs through 2037, 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 2.84 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 (1.84 percent), or one percentage point higher (3.84 percent) than the current rate.

| | 1% Decrease (1.84%) | Current Discount Rate (2.84%) | 1% Increase (3.84%) |
|---|------------------------|-------------------------------------|------------------------|
| City's proportionate share of the net OPEB liability | \$392,530 | \$312,269 | \$246,295 |

Note 10 - 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 \$1,078.34 for single coverage and \$2,965.42 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 \$27.64 for single coverage and \$106.31 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 11 - Risk Management

A. Property and Liability

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City contracts with Public Entities Pool, with a blanket insurance policy with the following coverage limits and deductibles:

City of Nelsonville, Ohio
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For the Year Ended December 31, 2022

| <u>Property and Liability</u> | <u>Deductible</u> | <u>Limits of Coverage</u> |
|-------------------------------|-------------------|---------------------------|
| Real Property | \$1,000 | \$22,372,358 |
| General Liability: | | |
| Each Occurrence | 10,000 | 2,000,000 |
| Employee Benefits: | | |
| Each Occurrence | 1,000 | 1,000,000 |
| Wrongful Acts Liability: | | |
| Each Occurrence | 10,000 | 5,000,000 |
| Vehicles: | | |
| Comprehensive | 0 | 2,000,000 |
| Collision | 0 | 2,000,000 |
| Employee Dishonesty | 500 | 25,000 |
| Law Enforcement: | | |
| Each Occurrence | 10,000 | 2,000,000 |
| 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 2022, the City participated in the Ohio Municipal League Workers' Compensation Group Rating Program (Program), an insurance purchasing pool (see Note 15). 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 12 - Long - Term Obligations

A schedule of changes in long-term obligations of the City during 2022 follows:

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

| | Restated | | | Principal | Amounts |
|---|--------------------|------------------|------------------|--------------------|------------------|
| | Principal | | | Outstanding | Due in |
| | Outstanding | Additions | Deductions | 12/31/22 | One Year |
| | 12/31/21 | | | | |
| Governmental Activities: | | | | | |
| Debt from Direct Placement: | | | | | |
| 2019 Street Sweeper USDA Bonds - 3% | \$99,200 | \$0 | \$11,000 | \$88,200 | \$11,300 |
| 2020 Police Vehicles USDA Bonds - 2.375% | 33,200 | 0 | 8,000 | 25,200 | 8,200 |
| Total Debt from Direct Placement | <u>132,400</u> | <u>0</u> | <u>19,000</u> | <u>113,400</u> | <u>19,500</u> |
| Debt from Direct Borrowings: | | | | | |
| 2007 OWDA Adams Street Improvement Loan - 2% | 22,723 | 0 | 3,056 | 19,667 | 3,117 |
| 2008 OPWC Adams Street Improvements Loan - 0% | 13,126 | 0 | 1,517 | 11,609 | 1,517 |
| 2014 OPWC Jefferson and Watkins Street Improvements Loan - 0% | 529,697 | 0 | 27,879 | 501,818 | 27,879 |
| Total Loans Payable | <u>565,546</u> | <u>0</u> | <u>32,452</u> | <u>533,094</u> | <u>32,513</u> |
| Police and Fire Pension Liability | <u>47,804</u> | <u>0</u> | <u>2,698</u> | <u>45,106</u> | <u>2,814</u> |
| Financed Purchases from Direct Borrowings: | | | | | |
| 2016 Pumper Truck - 2.5% | 175,358 | 0 | 32,917 | 142,441 | 33,961 |
| 2016 Vac Truck - 2.81% | 37,634 | 0 | 37,634 | 0 | 0 |
| 2019 Fire Chief Truck - 6.04% | 24,752 | 0 | 12,013 | 12,739 | 12,739 |
| Total Financed Purchases | <u>237,744</u> | <u>0</u> | <u>82,564</u> | <u>155,180</u> | <u>46,700</u> |
| Leases Payable | <u>18,066</u> | <u>0</u> | <u>3,526</u> | <u>14,540</u> | <u>3,634</u> |
| Compensated Absences | <u>53,479</u> | <u>0</u> | <u>16,778</u> | <u>36,701</u> | <u>8,207</u> |
| Net Pension Liability: | | | | | |
| OPERS | 300,942 | 0 | 166,869 | 134,073 | 0 |
| OP&F | 1,488,362 | 291,497 | 0 | 1,779,859 | 0 |
| Total Net Pension Liability | <u>1,789,304</u> | <u>291,497</u> | <u>166,869</u> | <u>1,913,932</u> | <u>0</u> |
| Net OPEB Liability - OP&F | <u>231,322</u> | <u>80,947</u> | <u>0</u> | <u>312,269</u> | <u>0</u> |
| Total Governmental Activities | <u>\$3,075,665</u> | <u>\$372,444</u> | <u>\$323,887</u> | <u>\$3,124,222</u> | <u>\$113,368</u> |

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

| | Principal Outstanding 12/31/21 | Additions | Deductions | Principal Outstanding 12/31/22 | Amounts Due in One Year |
|---|--------------------------------------|--------------------|------------------|--------------------------------------|-------------------------------|
| Business-Type Activities: | | | | | |
| Debt from Direct Placements: | | | | | |
| 2020 Sanitary Sewer Revenue Bonds - 1.625% | \$982,100 | \$0 | \$18,300 | \$963,800 | \$18,500 |
| 2021 Sanitary Sewer System Revenue Bonds - 1.625% | | | | | |
| Series A | 4,706,000 | 0 | 0 | 4,706,000 | 0 |
| Series B | 2,000,000 | 0 | 0 | 2,000,000 | 0 |
| Total Debt from Direct Placements | 7,688,100 | 0 | 18,300 | 7,669,800 | 18,500 |
| Debt from Direct Borrowings: | | | | | |
| OWDA Loans: | | | | | |
| 2002 Water Improvements | | | | | |
| Loan - 2.00% | 23,705 | 0 | 15,725 | 7,980 | 7,980 |
| 2002 State Route 33 Sewer Improvements | | | | | |
| Loan - 2.00% | 26,067 | 0 | 17,291 | 8,776 | 8,776 |
| 2007 Adams Street Sewer Improvements | | | | | |
| Loan - 2.00% | 64,383 | 0 | 8,658 | 55,725 | 8,832 |
| 2007 Adams Street Water | | | | | |
| Improvements Loan - 2.00% | 64,382 | 0 | 8,658 | 55,724 | 8,832 |
| 2012 Water Treatment Plant Loan - 1.98% | 2,778,806 | 0 | 212,362 | 2,566,444 | 216,587 |
| 2016 Robbins Road Sewer Loan - 0.75% | 96,785 | 0 | 3,458 | 93,327 | 3,484 |
| 2020 Regional Collection Sewer System - 0% | 1,960,534 | 0 | 68,082 | 1,892,452 | 0 |
| 2021 Regional Collection Sewer System - 0% | 119,277 | 39,405 | 158,682 | 0 | 0 |
| 2021 Water System Improvement - 0% | 30,475 | 875,777 | 0 | 906,252 | 0 |
| 2022 Water System Improvements | 0 | 79,488 | 0 | 79,488 | 0 |
| 2022 North Hocking River Water Main | 0 | 143,911 | 0 | 143,911 | 0 |
| Total OWDA Loans | 5,164,414 | 1,138,581 | 492,916 | 5,810,079 | 254,491 |
| OPWC Loans: | | | | | |
| 2008 Adams Street Sewer Improvements | | | | | |
| Loan - 0% | 81,814 | 0 | 9,452 | 72,362 | 9,452 |
| 2008 Adams Street Water Improvements | | | | | |
| Loan - 0% | 80,073 | 0 | 9,252 | 70,821 | 9,252 |
| 2011 Water Booster Station Loan - 0% | 14,000 | 0 | 667 | 13,333 | 667 |
| 2012 Water Treatment Plant Loan - 0% | 548,333 | 0 | 23,334 | 524,999 | 23,334 |
| Total OPWC Loans | 724,220 | 0 | 42,705 | 681,515 | 42,705 |
| Total Debt from Direct Borrowings | 5,888,634 | 1,138,581 | 535,621 | 6,491,594 | 297,196 |
| Asset Retirement Obligation | 519,000 | 0 | 0 | 519,000 | 0 |
| Compensated Absences | 85,714 | 4,310 | 4,753 | 85,271 | 18,219 |
| Net Pension Liability - OPERS: | | | | | |
| Water | 329,156 | 0 | 160,107 | 169,049 | 0 |
| Sewer | 310,347 | 0 | 30,542 | 279,805 | 0 |
| Total Net Pension Liability - OPERS | 639,503 | 0 | 190,649 | 448,854 | 0 |
| Total Business-Type Activities | \$14,820,951 | \$1,142,891 | \$749,323 | \$15,214,519 | \$333,915 |

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. 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 8 and 9.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

A. Governmental

On October 2, 2019, the City issued \$120,000 of general obligation bonds. These bonds were issued through a direct placement with the United States Department of Agriculture (USDA) to finance the cost for a new street sweeper and related equipment acquired in 2019. Principal requirements to retire the Street Sweeper Bond will be paid from the Street Levy Fund. Principal and interest requirements to retire the bonds at December 31, 2022, are as follows:

| Year Ended December 31, | Principal | Interest | Total |
|----------------------------|-----------------|-----------------|------------------|
| 2023 | \$11,300 | \$3,087 | \$14,387 |
| 2024 | 11,800 | 2,692 | 14,492 |
| 2025 | 12,100 | 2,278 | 14,378 |
| 2026 | 12,600 | 1,855 | 14,455 |
| 2027 | 13,000 | 1,414 | 14,414 |
| 2028-2029 | 27,400 | 1,446 | 28,846 |
| | <u>\$88,200</u> | <u>\$12,772</u> | <u>\$100,972</u> |

On May 13, 2020, the City issued \$41,000 of general obligation bonds. These bonds were issued through a direct placement with the United States Department of Agriculture (USDA) to finance the cost for a new police vehicles and related equipment acquired in 2020. Principal requirements to retire the bonds will be paid from the General Fund. Principal and interest requirements to retire the USDA Police Vehicles Bond at December 31, 2022, are as follows:

| Year Ended December 31, | Principal | Interest | Total |
|----------------------------|-----------------|----------------|-----------------|
| 2023 | \$8,200 | \$598 | \$8,798 |
| 2024 | 8,400 | 404 | 8,804 |
| 2025 | 8,600 | 204 | 8,804 |
| | <u>\$25,200</u> | <u>\$1,206</u> | <u>\$26,406</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 Improvements 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. Principal and interest requirements to retire the OWDA Adams Street Improvements Loan liability at December 31, 2022, are as follows:

City of Nelsonville, Ohio
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| Year Ended December 31, | Principal | Interest | Total |
|----------------------------|-----------------|----------------|-----------------|
| 2023 | \$3,117 | \$378 | \$3,495 |
| 2024 | 3,180 | 315 | 3,495 |
| 2025 | 3,244 | 251 | 3,495 |
| 2026 | 3,309 | 186 | 3,495 |
| 2027 | 3,375 | 120 | 3,495 |
| 2028 | 3,442 | 52 | 3,494 |
| | <u>\$19,667</u> | <u>\$1,302</u> | <u>\$20,969</u> |

The 2008 OPWC Adams Street Improvement Loan, issued 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, 2022, are as follows:

| Year Ended December 31, | Principal |
|----------------------------|-----------------|
| 2023 | \$1,517 |
| 2024 | 1,517 |
| 2025 | 1,517 |
| 2026 | 1,517 |
| 2027 | 1,517 |
| 2028-2030 | 4,024 |
| | <u>\$11,609</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 and will repay the loan. Principal requirements to retire the OPWC Jefferson and Watkins Streets Improvements Loan liability at December 31, 2022, are as follows:

| Year Ended December 31, | Principal |
|----------------------------|------------------|
| 2023 | \$27,879 |
| 2024 | 27,878 |
| 2025 | 27,879 |
| 2026 | 27,879 |
| 2027 | 27,879 |
| 2028-2032 | 139,394 |
| 2033-2037 | 139,394 |
| 2038-2040 | 83,636 |
| | <u>\$501,818</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, 2022, are as follows:

City of Nelsonville, Ohio
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For the Year Ended December 31, 2022

| Year Ended December 31, | Principal | Interest | Total |
|----------------------------|-----------------|-----------------|-----------------|
| 2023 | \$2,814 | \$1,887 | \$4,701 |
| 2024 | 2,935 | 1,767 | 4,702 |
| 2025 | 3,061 | 1,640 | 4,701 |
| 2026 | 3,193 | 1,509 | 4,702 |
| 2027 | 3,329 | 1,371 | 4,700 |
| 2028-2032 | 18,922 | 4,588 | 23,510 |
| 2033-2035 | 10,852 | 693 | 11,545 |
| | <u>\$45,106</u> | <u>\$13,455</u> | <u>\$58,561</u> |

B. Financed Purchases

In prior years, the City had entered into financed purchases for the purchase of heavy equipment. The purchases meet the criteria of a financed purchase which is defined as one which transfers benefits and risks of ownership to the lessee. All financed purchase 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.

Principal requirements to retire the financed purchase at December 31, 2022, are as follows:

| Year Ended December 31, | Principal | Interest | Total |
|----------------------------|------------------|-----------------|------------------|
| 2023 | \$46,700 | \$5,285 | \$51,985 |
| 2024 | 35,037 | 3,439 | 38,476 |
| 2025 | 36,148 | 2,326 | 38,474 |
| 2026 | 37,295 | 1,182 | 38,477 |
| | <u>\$155,180</u> | <u>\$12,232</u> | <u>\$167,412</u> |

C. Leases Payable

The City has outstanding agreements to lease copiers. Due to the implementation of GASB Statement 87, these leases plus existing prior year capital leases have met the criteria of leases thus requiring them to be recorded by the City. The future lease payments were discounted based on the interest rate implicit in the lease or using the City's incremental borrowing rate. This discount is being amortized using the interest method over the life of the lease from the General Fund. A summary of the principal and interest amounts for the remaining leases is as follows:

| Year | Principal | Interest |
|------|-----------------|--------------|
| 2023 | \$3,634 | \$386 |
| 2024 | 3,744 | 276 |
| 2025 | 3,858 | 162 |
| 2026 | 3,304 | 46 |
| | <u>\$14,540</u> | <u>\$870</u> |

City of Nelsonville, Ohio
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D. Enterprise

On March 17, 2020, the City issued Sewer System Revenue Bonds for the sanitary sewer system in the amount of \$1,000,000. The bonds were issued through a direct placement with the United States Department of Agriculture (USDA) to finance the construction of the sanitary sewer system and will be repaid from charges for services in the Sewer Enterprise fund. Principal and interest requirements to retire the liability at December 31, 2022, are as follows:

| Year Ended December 31, | Principal | Interest | Total |
|----------------------------|------------------|------------------|--------------------|
| 2023 | \$18,500 | \$15,662 | \$34,162 |
| 2024 | 18,800 | 15,361 | 34,161 |
| 2025 | 19,200 | 15,056 | 34,256 |
| 2026 | 19,400 | 14,744 | 34,144 |
| 2027 | 19,800 | 14,428 | 34,228 |
| 2028-2032 | 103,800 | 67,215 | 171,015 |
| 2033-2037 | 112,400 | 58,505 | 170,905 |
| 2038-2042 | 121,900 | 49,067 | 170,967 |
| 2043-2047 | 132,200 | 38,836 | 171,036 |
| 2048-2052 | 143,200 | 27,744 | 170,944 |
| 2053-2057 | 155,300 | 15,720 | 171,020 |
| 2058-2060 | 99,300 | 3,245 | 102,545 |
| | <u>\$963,800</u> | <u>\$335,583</u> | <u>\$1,299,383</u> |

On May 18, 2021, the City issued Sewer Revenue Bonds for the sanitary sewer system in the amount of \$6,706,000. The bonds were issued through a direct placement with the United States Department of Agriculture (USDA) to finance the construction of the sanitary sewer system. During 2021, the City received a disbursement of \$3,580,850. The remaining proceeds of \$3,125,150 were disbursed to the City during 2022. Principal and interest requirements to retire the liability are as follows:

| Year Ended December 31, | Principal | Interest | Total |
|----------------------------|--------------------|--------------------|--------------------|
| 2023 | \$132,100 | \$89,708 | \$221,808 |
| 2024 | 133,900 | 87,941 | 221,841 |
| 2025 | 135,600 | 86,151 | 221,751 |
| 2026 | 137,600 | 84,338 | 221,938 |
| 2027 | 139,200 | 82,498 | 221,698 |
| 2028-2032 | 725,100 | 384,047 | 1,109,147 |
| 2033-2037 | 774,800 | 334,253 | 1,109,053 |
| 2038-2042 | 828,000 | 281,031 | 1,109,031 |
| 2043-2047 | 884,900 | 224,148 | 1,109,048 |
| 2048-2052 | 945,700 | 163,350 | 1,109,050 |
| 2053-2057 | 1,010,700 | 98,366 | 1,109,066 |
| 2058-2061 | 858,400 | 28,909 | 887,309 |
| | <u>\$6,706,000</u> | <u>\$1,944,740</u> | <u>\$8,650,740</u> |

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 loan, authorized for \$291,018, was used to sewer 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, 2022

The 2007 OWDA Adams Street Sewer Improvements Loan, authorized for \$282,023, was used to finance sewer line extensions and improvements and will be repaid from charges for services in the Sewer Enterprise Fund.

The 2007 OWDA Adams Street Water Improvements Loan, authorized for \$274,604, was used to finance water line extensions and improvements and will be repaid from charges for services in the Water Enterprise Fund.

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 Sewer Enterprise Fund.

The 2020 OWDA Regional Collection Sewer System Loan, in the amount of \$2,042,463, was issued to finance the Sanitary Sewer Improvement Project. \$1,960,534 was drawn, with remaining \$81,929 in undrawn proceeds. This loan will be paid from charges for services in the Sewer Enterprise Fund. There is no repayment schedule for this loan.

The 2021 OWDA Regional Collection System Loan is approved for \$615,648 to be used to finance the regional collection system. Currently, there has been \$158,682 draw on this loan, with \$456,966 remaining undrawn. This loan will be paid from charges for services in the Sewer Enterprise Fund.

The 2021 Water System Improvement Loan is approved for \$1,653,391 and is being used to finance improvements of the water system in the City. Currently there has been \$906,252 drawn on this loan, with \$747,139 remaining to be drawn and it is still pending. This loan will be paid from charges for services in the Water Enterprise Fund.

The 2022 Water System Improvement Loan is approved for \$314,055 and is being used to finance improvements to the water system in the City. There has been \$79,488 drawn on this loan as of December 31, 2022. This loan will be paid from charges for service in the Water Enterprise Fund.

The 2022 North Hocking River Water Main Loan is approved for \$207,140 and is being used to finance improvements to the Hocking River Water Main in the City. There has been \$143,911 drawn on this loan as of December 31, 2022. This loan will be paid from charges for service in the Water Enterprise Fund.

Principal and interest requirements to retire OWDA loan liabilities, with the exception of the pending OWDA Loans, at December 31, 2022, are as follows:

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

| Year Ended December 31, | Principal | Interest | Total |
|----------------------------|--------------------|------------------|--------------------|
| 2023 | \$254,491 | \$59,419 | \$313,910 |
| 2024 | 242,425 | 54,561 | 296,986 |
| 2025 | 247,209 | 49,777 | 296,986 |
| 2026 | 252,088 | 44,898 | 296,986 |
| 2027 | 257,064 | 39,922 | 296,986 |
| 2028-2032 | 1,281,434 | 124,278 | 1,405,712 |
| 2033-2037 | 215,034 | 7,103 | 222,137 |
| 2038-2042 | 19,783 | 1,102 | 20,885 |
| 2043-2047 | 18,448 | 347 | 18,795 |
| | <u>\$2,787,976</u> | <u>\$381,407</u> | <u>\$3,169,383</u> |

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

The 2008 OPWC Adams Street Water Improvements 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, 2022, are as follows:

| Year Ended December 31, | Principal |
|----------------------------|------------------|
| 2023 | \$42,705 |
| 2024 | 42,704 |
| 2025 | 42,703 |
| 2026 | 42,705 |
| 2027 | 42,705 |
| 2028-2032 | 169,662 |
| 2033-2037 | 119,999 |
| 2038-2042 | 120,001 |
| 2043-2046 | 58,331 |
| | <u>\$681,515</u> |

E. Pledged Revenue

The City has pledged future sewer customer revenues to repay \$2,050,280 in outstanding sewer system OWDA loans. The loans are payable solely from sewer customer net revenues and are payable through 2047. 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 35 percent of net revenues. The total principal and interest remaining to be paid on the loans are \$2,063,067. Principal and interest payments for the current year, excluding principal forgiveness, were \$258,867, net revenues were \$440,074 and total revenues were \$1,418,258.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

The City has pledged future sewer customer revenues to repay \$7,688,100 in outstanding sewer system revenue bonds. The bonds are payable solely from sewer customer net revenues and are payable through 2060. 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 6 percent of net revenues. The total principal and interest remaining to be paid on the loans are \$9,984,380. Principal and interest payments for the current year were \$79,138, net revenues were \$440,074 and total revenues were \$1,418,258.

The City has pledged future water customer revenues to repay \$3,759,799 in outstanding water system OWDA loans. The loans are payable solely from water customer net revenues and are payable through 2033. 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 36 percent of net revenues. The total principal and interest remaining to be paid on the loans is \$4,128,419. Principal and interest payments for the current year were \$299,029, net revenues were \$270,846 and total revenues were \$1,879,506.

The City's legal debt margin was \$5,041,112 at December 31, 2022.

Note 13 - Interfund Activity

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 |
|---------------------------------------|----------------------|---------------------|
| Governmental Activities | | |
| Governmental Activities | \$0 | \$75,688 |
| Business-Type Activities | | |
| Sewer | 111,166 | 12,619 |
| Water | 18,020 | 40,879 |
| <i>Total Business-Type Activities</i> | 129,186 | 53,498 |
| Total | \$129,186 | \$129,186 |

Note 14 - 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 2022, the City did not make any contributions to the Commission.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

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 2022, the City did not make any contributions to the Council.

Note 15 - Insurance Purchasing Pools

A. Ohio Municipal League Workers' Compensation Group Rating Program

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.

B. Ohio Small Group Pool Consortium

The City is a member of the Ohio Small Group Pool Consortium (OSGP), an insurance purchasing pool. The OSGP's primary purpose and objective is providing certain medical, hospitalization, dental, prescription drug, and life benefits for their employees and the eligible dependents of those employees. The governing board consists of a director appointed by each of the members of the OSGP. To obtain financial information for the OSGP, write to the fiscal agent, Bloom-Carroll Local School District, 5240 Plum Road NW, Carroll, Ohio 43112.

Note 16 - 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, 2022.

B. Litigation

The City of Nelsonville is currently party to pending litigation; however, the outcome and potential impact to the financial statements cannot be determined at this time except as follows: the City approved a settlement for \$137,500 on December 14, 2023.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 17 - Significant Commitments

As of December 31, 2022, the City had contractual purchase commitments as follows:

| <u>Projects</u> | <u>Purchase Commitment</u> | <u>Paid as of 12/31/2022</u> | <u>Remaining on Contract</u> |
|-------------------------------|--------------------------------|----------------------------------|----------------------------------|
| Business-Type Activities: | | | |
| Hocking River Project | \$221,759 | \$63,543 | \$158,216 |
| Water System Improvements | 3,202,647 | 2,348,003 | 854,644 |
| Regional Wastewater Treatment | <u>31,236,150</u> | <u>8,496,704</u> | <u>22,739,446</u> |
| Total | <u>\$34,660,556</u> | <u>\$10,908,250</u> | <u>\$23,752,306</u> |

Note 18 - Asset Retirement Obligations

Ohio Revised Code Section 6111.44 requires the City to submit any changes to their sewerage system to the Ohio EPA for approval. Through this review process, the City would be responsible to address any public safety issues associated with their waste water treatment facilities. The City Engineer estimates these public safety issues to include removing/filling any tankage, cleaning/removing certain equipment, and backfilling certain exposed areas. This asset retirement obligation (ARO) of \$519,000 associated with the City waste water treatment facilities was estimated by the City's engineers. The remaining useful life of these facilities range from 3 to 40 years.

The Governmental Accounting Standard Board's (GASB) Statement No. 83, *Certain Asset Retirement Obligations*, provides guidance related to asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The City has the following AROs:

| <u>Asset</u> |
|---------------------------------|
| Sewage Plant Pumping Station |
| SR 691 Lift Station |
| Back Street Lift Station |
| Sewage Plant Pumping Station |
| Sewage Plant Pumping Station |
| SR 78 Lift Station |
| Lake Hope Drive Lift Station |
| 2002 Sewer Lift Station |
| Robbins Road Sanitary Sewer |
| Waste Water Treatment Plant |
| Buchtel Sewer System |
| Tri County Lift Station Upgrade |

Note 19 - COVID - 19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency ended in April 2023. During 2022, the City received COVID-19 funding. The City will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

The City's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2022

Note 20 – Subsequent Events

On March 27, 2023, Council adopted Ordinance 16-23 Authorizing the City Manager to apply for, accept and enter into an Ohio EPA Water Supply Revolving Loan Account (WSRLA) Agreement on behalf of the city for construction of the Phase 2 Water System Improvements Project and designating a dedicated repayment source for loan financing.

On April 24, 2023, Council adopted Ordinance 19-23 Authorizing the City Manager to apply for, accept and enter into an Ohio EPA Water Supply Revolving Loan Account (WSRLA) Agreement on behalf of the city for the design of the Water Systems Improvements Phase 3 Project and designating a dedicated repayment source for loan financing.

On May 8, 2023 Council adopted Ordinance 23-23 Authorizing the City to use the Betty Johnson Trust as a line of credit up to \$600,000 at 0% interest for the HB377 Grant for the Washington Street Sidewalk Project.

On August 14, 2023 Council adopted Ordinance 42-23 Authorizing the City Manager to apply for, accept and enter into an Ohio EPA Water Pollution Control Loan Fund Agreement on behalf of the city for design of the Regional Wastewater Collection System Improvements Phase 4 Project and designating a dedicated repayment source for the loan.

On August 14, 2023 Council adopted Ordinance 43-23 approving the Nelsonville Regional Wastewater Collection System Improvements Phase 4 "Professional Services Agreement".

Note 21 – Special Investigation

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

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 Nine Years (1)

| | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|--|-------------|-------------|-------------|
| City's Proportion of the Net Pension Liability | 0.0067000% | 0.0063510% | 0.0067410% |
| City's Proportionate Share of the Net Pension Liability | \$582,927 | \$940,445 | \$1,332,404 |
| City's Covered Payroll | \$925,159 | \$925,509 | \$818,982 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 63.01% | 101.61% | 162.69% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 92.62% | 86.88% | 82.10% |

(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

| 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|-------------|-------------|-------------|-------------|-------------|-------------|
| 0.0063250% | 0.0074410% | 0.0080100% | 0.0096790% | 0.0097640% | 0.0097640% |
| \$1,732,289 | \$1,167,349 | \$1,818,935 | \$1,676,525 | \$1,177,648 | \$1,151,048 |
| \$809,751 | \$928,663 | \$1,118,589 | \$1,158,978 | \$1,154,036 | \$1,154,751 |
| 213.93% | 125.70% | 162.61% | 144.66% | 102.05% | 99.68% |
| 74.70% | 84.66% | 77.25% | 81.08% | 86.45% | 86.36% |

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

| | 2022 | 2021 |
|--|-----------|-----------|
| City's Proportion of the Net Pension Asset | 0.005088% | 0.000159% |
| City's Proportionate Share of the Net Pension Asset | \$20,047 | \$459 |
| City's Covered Payroll | \$23,200 | \$23,200 |
| City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll | 86.41% | 1.98% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 169.88% | 157.67% |

(1) Amounts for the combined plan are not presented prior to 2021 as the City's participation in this plan was considered immaterial in previous years.

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 (Asset)
Ohio Public Employees Retirement System - OPEB Plan
Last Six Years (1)

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|-------------|-------------|------------|------------|------------|-------------|
| City's Proportion of the Net OPEB Liability | 0.0638400% | 0.0063510% | 0.0062780% | 0.0059200% | 0.0073000% | 0.0078200% |
| City's Proportionate Share of the Net OPEB Liability (Asset) | (\$199,957) | (\$113,148) | \$867,155 | \$771,828 | \$792,726 | \$789,847 |
| City's Covered Payroll | \$925,159 | \$925,509 | \$818,982 | \$809,751 | \$928,663 | \$1,118,589 |
| City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | -21.61% | -12.23% | 105.88% | 95.32% | 85.36% | 70.61% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 128.23% | 115.57% | 47.80% | 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 Nine Years (1)

| | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|--|-------------|-------------|-------------|
| City's Proportion of the Net Pension Liability | 0.0284895% | 0.0218328% | 0.0217900% |
| City's Proportionate Share of the Net Pension Liability | \$1,779,859 | \$1,488,362 | \$1,467,891 |
| City's Covered Payroll | \$684,546 | \$521,579 | \$562,275 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 260.01% | 285.36% | 261.06% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 75.03% | 70.65% | 69.89% |

(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.

| 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|-------------|-------------|-------------|-------------|-------------|-------------|
| 0.0214330% | 0.0213300% | 0.0254610% | 0.0245860% | 0.0254689% | 0.0254689% |
| \$1,749,499 | \$1,309,119 | \$1,612,674 | \$1,581,635 | \$1,319,395 | \$1,240,416 |
| \$526,094 | \$467,673 | \$547,975 | \$520,737 | \$525,358 | \$519,585 |
| 332.54% | 279.92% | 294.30% | 303.73% | 251.14% | 238.73% |
| 63.07% | 70.91% | 68.36% | 66.77% | 71.71% | 73.00% |

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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 Six Years (1)

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|------------|------------|------------|------------|-------------|-------------|
| City's Proportion of the Net OPEB Liability | 0.0284895% | 0.0218328% | 0.0217900% | 0.0214330% | 0.0213300% | 0.0254610% |
| City's Proportionate Share of the Net OPEB Liability | \$312,269 | \$231,322 | \$215,236 | \$195,180 | \$1,208,528 | \$1,208,576 |
| City's Covered Payroll | \$684,546 | \$521,579 | \$562,275 | \$526,094 | \$467,673 | \$547,975 |
| City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 45.62% | 44.35% | 38.28% | 37.10% | 258.41% | 220.55% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 45.40% | 47.08% | 46.57% | 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 Ten Years (1)(2)

| | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|--|------------------|------------------|------------------|
| Net Pension Liability - Traditional Plan | | | |
| Contractually Required Contribution | \$134,279 | \$134,479 | \$134,528 |
| Contributions in Relation to the Contractually Required Contribution | <u>(134,279)</u> | <u>(134,479)</u> | <u>(134,528)</u> |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| City Covered Payroll | \$959,136 | \$925,159 | \$925,509 |
| Contributions as a Percentage of Covered Payroll | <u>14.00%</u> | <u>14.54%</u> | <u>14.54%</u> |
| Net Pension Asset - Combined Plan | | | |
| Contractually Required Contribution | \$8,014 | \$3,248 | |
| Contributions in Relation to the Contractually Required Contribution | <u>(8,014)</u> | <u>(3,248)</u> | |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | |
| City Covered Payroll | \$57,243 | \$23,200 | |
| Contributions as a Percentage of Covered Payroll | <u>14.00%</u> | <u>14.00%</u> | |
| Net OPEB Liability - OPEB Plan (3) | | | |
| Contractually Required Contribution | \$0 | \$0 | \$0 |
| Contributions in Relation to the Contractually Required Contribution | <u>0</u> | <u>0</u> | <u>0</u> |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| City Covered Payroll | \$959,136 | \$925,159 | \$925,509 |
| Contributions as a Percentage of Covered Payroll | <u>0.00%</u> | <u>0.00%</u> | <u>0.00%</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

| 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| \$119,248 | \$117,939 | \$126,041 | \$140,465 | \$145,454 | \$144,509 | \$162,806 |
| <u>(119,248)</u> | <u>(117,939)</u> | <u>(126,041)</u> | <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> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| \$818,982 | \$809,751 | \$928,663 | \$1,118,589 | \$1,158,978 | \$1,154,036 | \$1,154,751 |
| <u>14.56%</u> | <u>14.56%</u> | <u>13.57%</u> | <u>12.56%</u> | <u>12.55%</u> | <u>12.52%</u> | <u>14.10%</u> |

| | | | |
|--------------|--------------|----------------|-----------------|
| \$0 | \$0 | \$9,667 | \$23,345 |
| <u>0</u> | <u>0</u> | <u>(9,667)</u> | <u>(23,345)</u> |
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| \$818,982 | \$809,751 | \$966,683 | \$1,167,241 |
| <u>0.00%</u> | <u>0.00%</u> | <u>1.00%</u> | <u>2.00%</u> |

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

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|---|------------------|------------------|------------------|------------------|
| Net Pension Liability | | | | |
| Contractually Required Contribution | \$164,135 | \$141,712 | \$106,546 | \$113,501 |
| Contributions in Relation to the Contractually Required Contribution | <u>(164,135)</u> | <u>(141,712)</u> | <u>(106,546)</u> | <u>(113,501)</u> |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| City Covered Payroll (1) | \$808,197 | \$684,546 | \$521,579 | \$562,275 |
| Pension Contributions as a Percentage of Covered Payroll | <u>20.31%</u> | <u>20.70%</u> | <u>20.43%</u> | <u>20.19%</u> |
| Net OPEB Liability | | | | |
| Contractually Required Contribution | \$4,041 | \$3,422 | \$2,608 | \$2,811 |
| Contributions in Relation to the Contractually Required Contribution | <u>(4,041)</u> | <u>(3,422)</u> | <u>(2,608)</u> | <u>(2,811)</u> |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| City Covered Payroll | \$808,197 | \$684,546 | \$521,579 | \$562,275 |
| 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>20.81%</u> | <u>21.20%</u> | <u>20.93%</u> | <u>20.69%</u> |

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

See accompanying notes to the required supplementary information.

| <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|------------------|-----------------|-------------------|-------------------|-------------------|-------------------|
| \$106,388 | \$95,354 | \$111,668 | \$104,598 | \$106,586 | \$88,724 |
| <u>(106,388)</u> | <u>(95,354)</u> | <u>(92,657)</u> | <u>(89,864)</u> | <u>(86,434)</u> | <u>(57,125)</u> |
| <u>\$0</u> | <u>\$0</u> | <u>\$19,011</u> | <u>\$14,734</u> | <u>\$20,152</u> | <u>\$31,599</u> |
| \$526,094 | \$467,673 | \$547,975 | \$520,737 | \$525,358 | \$519,585 |
| <u>20.22%</u> | <u>20.39%</u> | <u>20.38%</u> | <u>20.09%</u> | <u>20.29%</u> | <u>17.08%</u> |
| \$2,630 | \$2,339 | \$2,740 | \$2,604 | \$2,627 | \$18,792 |
| <u>(2,630)</u> | <u>(2,339)</u> | <u>(92,657)</u> | <u>(89,864)</u> | <u>(86,434)</u> | <u>(57,125)</u> |
| <u>\$0</u> | <u>\$0</u> | <u>(\$89,917)</u> | <u>(\$87,260)</u> | <u>(\$83,807)</u> | <u>(\$38,333)</u> |
| \$526,094 | \$467,673 | \$547,975 | \$520,735 | \$525,358 | \$519,584 |
| <u>0.50%</u> | <u>0.50%</u> | <u>0.50%</u> | <u>0.50%</u> | <u>0.50%</u> | <u>3.62%</u> |
| <u>20.72%</u> | <u>20.89%</u> | <u>20.88%</u> | <u>20.59%</u> | <u>20.79%</u> | <u>20.70%</u> |

City of Nelsonville, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2022

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 in prior years 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 | see below | see below | see below |
| Investment Rate of Return | 7.2 percent | 7.5 percent | 8 percent |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age | Individual Entry Age |

The assumptions related COLA or Ad Hoc COLA for Post-January 7, 2013 Retirees are as follows:

COLA or Ad Hoc COLA, Post-January 7, 2013 Retirees:

| | |
|-------------------|---|
| 2021 | 0.5 percent, simple through 2021 then 2.15 percent, simple |
| 2020 | 1.4 percent, simple through 2020 then 2.15 percent, simple |
| 2017 through 2019 | 3.0 percent, simple through 2018 then 2.15 percent, simple |
| 2016 and prior | 3.0 percent, simple through 2018 then 2.80 percent, simple |

Amounts reported beginning in 2017 use 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.

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.

City of Nelsonville, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2022

Changes in Assumptions – OPERS Pension – Combined Plan

For 2021 and 2020, the Combined Plan had the same change in COLA or Ad Hoc COLA for Post-January 2, 2013 retirees as the Traditional Plan. For 2019, the investment rate of return changed from 7.5 percent to 7.2 percent.

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:

| | Beginning in 2018 | 2017 and Prior |
|----------------------------|---|--|
| 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 | 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent | 3.00 percent simple; 2.6 percent simple for increases 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

City of Nelsonville, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2022

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.

Changes in Assumptions – OPERS OPEB

| | |
|-------------------------------|---|
| Investment Return Assumption: | |
| Beginning in 2019 | 6.00 percent |
| 2018 | 6.50 percent |
| Municipal Bond Rate: | |
| 2021 | 2.00 percent |
| 2020 | 2.75 percent |
| 2019 | 3.71 percent |
| 2018 | 3.31 percent |
| Single Discount Rate: | |
| 2021 | 6.00 percent |
| 2020 | 3.16 percent |
| 2019 | 3.96 percent |
| 2018 | 3.85 percent |
| Health Care Cost Trend Rate: | |
| 2021 | 8.5 percent, initial 3.5 percent, ultimate in 2035 |
| 2020 | 10.5 percent, initial 3.5 percent, ultimate in 2030 |
| 2019 | 10.0 percent, initial 3.25 percent, ultimate in 2029 |
| 2018 | 7.5 percent, initial 3.25 percent, ultimate in 2028 |

Changes in Assumptions – OP&F OPEB

| | |
|------------------------|--------------|
| Blended Discount Rate: | |
| 2021 | 2.96 percent |
| 2020 | 3.56 percent |
| 2019 | 4.66 percent |
| 2018 | 3.24 percent |

Changes in Benefit Terms – OPERS OPEB

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in 2021.

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.

City of Nelsonville, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2022

Changes in Assumptions – OPERS Pension– Traditional Plan

Amounts reported beginning in 2022 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 in prior years are presented below:

| | 2022 | 2019 | 2018 and 2017 | 2016 and prior |
|-------------------------------|--|--|--|--|
| Wage Inflation | 2.75 percent | 3.25 percent | 3.25 percent | 3.75 percent |
| Future Salary Increases | 2.75 to 10.75 percent including wage 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 | 3 percent, simple |
| Post-January 7, 2013 Retirees | see below | see below | see below | see below |
| Investment Rate of Return | 6.9 percent | 7.2 percent | 7.5 percent | 8 percent |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age | Individual Entry Age | Individual Entry Age |

The assumptions related to COLA or Ad Hoc COLA for Post-January 7, 2013, Retirees are as follows:

COLA or Ad Hoc COLA, Post-January 7, 2013 Retirees:

| | |
|-------------------|---|
| 2022 | 3.0 percent, simple through 2022 then 2.05 percent, simple |
| 2021 | 0.5 percent, simple through 2021 then 2.15 percent, simple |
| 2020 | 1.4 percent, simple through 2020 then 2.15 percent, simple |
| 2017 through 2019 | 3.0 percent, simple through 2018 then 2.15 percent, simple |
| 2016 and prior | 3.0 percent, simple through 2018 then 2.80 percent, simple 5.50 to 5.00 percent |

Amounts reported beginning in 2022 use pre-retirement mortality rates based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all these tables.

Amounts reported beginning in 2017 use 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

City of Nelsonville, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2022

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.

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 – OPERS Pension – Combined Plan

| | 2022 | 2019 | 2018 |
|-------------------------------|---|---|---|
| Wage Inflation | 2.75 percent | 3.25 percent | 3.25 percent |
| Future Salary Increases | 2.75 to 8.25 percent including wage inflation | 3.25 to 8.25 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 | 3 percent, simple |
| Post-January 7, 2013 Retirees | see below | see below | see below |
| Investment Rate of Return | 6.9 percent | 7.2 percent | 7.5 percent |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age | Individual Entry Age |

For 2022, 2021 and 2020, the Combined Plan had the same change in COLA or Ad Hoc COLA for Post-January 2, 2013, retirees as the Traditional Plan.

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:

| | Beginning in 2018 | 2017 and Prior |
|----------------------------|---|--|
| 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 | 3.25 percent per annum, compounded annually, consisting of 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 | 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent | 3.00 percent simple; 2.6 percent simple for increases based on the lesser of the increase in CPI and 3 percent |

For 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for 2018 through 2021 to 7.5 percent for 2022.

City of Nelsonville, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2022

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.

| <u>Age</u> | <u>Police</u> | <u>Fire</u> |
|------------|---------------|-------------|
| 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.

| <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 |

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, 2022

Changes in Assumptions – OPERS OPEB

| | |
|--|---|
| Wage Inflation: | |
| 2022 | 2.75 percent |
| 2021 and prior | 3.25 percent |
| Projected Salary Increases (including wage inflation): | |
| 2022 | 2.75 to 10.75 percent |
| 2021 and prior | 3.25 to 10.75 percent |
| Investment Return Assumption: | |
| Beginning in 2019 | 6.00 percent |
| 2018 | 6.50 percent |
| Municipal Bond Rate: | |
| 2022 | 1.84 percent |
| 2021 | 2.00 percent |
| 2020 | 2.75 percent |
| 2019 | 3.71 percent |
| 2018 | 3.31 percent |
| Single Discount Rate: | |
| 2022 | 6.00 percent |
| 2021 | 6.00 percent |
| 2020 | 3.16 percent |
| 2019 | 3.96 percent |
| 2018 | 3.85 percent |
| Health Care Cost Trend Rate: | |
| 2022 | 5.5 percent, initial 3.5 percent, ultimate in 2034 |
| 2021 | 8.5 percent, initial 3.5 percent, ultimate in 2035 |
| 2020 | 10.5 percent, initial 3.5 percent, ultimate in 2030 |
| 2019 | 10.0 percent, initial 3.25 percent, ultimate in 2029 |
| 2018 | 7.5 percent, initial 3.25 percent, ultimate in 2028 |

Changes in Assumptions – OP&F OPEB

| | |
|------------------------|--------------|
| Blended Discount Rate: | |
| 2022 | 2.84 percent |
| 2021 | 2.96 percent |
| 2020 | 3.56 percent |
| 2019 | 4.66 percent |
| 2018 | 3.24 percent |

For 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for 2018 through 2021 to 7.5 percent for 2022.

City of Nelsonville, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2022

Changes in Benefit Terms – OPERS OPEB

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in 2021.

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.

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**CITY OF NELSONVILLE
ATHENS COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

| FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title | Federal AL Number | Total Federal Expenditures |
|---|----------------------------------|---------------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | |
| <i>Direct Program</i> | | |
| Water and Waste Disposal Systems for Rural Communities | 10.760 | <u>\$6,821,699</u> |
| Total U.S. Department of Agriculture | | 6,821,699 |
| U.S. DEPARTMENT OF TREASURY | | |
| <i>Passed through Ohio Office of Budget and Management</i> | | |
| COVID-19: Coronavirus State and Local Fiscal Recovery Fund | 21.027 | <u>47,431</u> |
| Total U.S. Department of Treasury | | 47,431 |
| U.S. DEPARTMENT OF HOMELAND SECURITY | | |
| <i>Direct Program</i> | | |
| Assistance to Firefighters Grant | 97.044 | <u>40,514</u> |
| Total U.S. Department of Homeland Security | | <u>40,514</u> |
| Total Expenditures of Federal Awards | | <u><u>\$6,909,644</u></u> |

The accompanying notes are an integral part of this Schedule.

**CITY OF NELSONVILLE
ATHENS COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2022**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Nelsonville, Athens County, Ohio (the City) under programs of the federal government for the year ended December 31, 2022. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The City has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

OHIO AUDITOR OF STATE KEITH FABER



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Columbus, Ohio 43215
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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
PO Box 370
Nelsonville, Ohio 45764

To the City Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Nelsonville, Athens County, Ohio (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 29, 2024 wherein we noted the City restated Net Position at December 31, 2021 for the Governmental Activities due to the identification of an understatement of Due within One Year and Due in More than One year liabilities relating to a finance purchase. In addition, we noted the City restated the Net Position at December 31, 2021 for the Governmental Activities, Business Type Activities, Water Fund, Sewer Fund, and Nonmajor Enterprise Fund to include the combined plan amounts relating to the Ohio Public Employees retirement System Net Pension Liability and the City restated the Net Position at December 31, 2021 for the Custodial Fund due to overstatement relating to Cash and Cash Equivalents in Segregated Accounts and Intergovernmental Payable.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. *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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying Schedule of Findings and / or Corrective Action Plan. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion 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.



Keith Faber
Auditor of State
Columbus, Ohio

May 29, 2024

OHIO AUDITOR OF STATE KEITH FABER



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800-282-0370

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

City of Nelsonville
Athens County
PO Box 370
Nelsonville, Ohio 45764

To the City Council:

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the City of Nelsonville, Athens County, Ohio (City) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the City of Nelsonville's major federal program for the year ended December 31, 2022. The City of Nelsonville's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings.

In our opinion, the City of Nelsonville complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

The City's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

May 29, 2024

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**CITY OF NELSONVILLE
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2022**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|--|
| <i>(d)(1)(i)</i> | Type of Financial Statement Opinion | Unmodified |
| <i>(d)(1)(ii)</i> | Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)? | Yes |
| <i>(d)(1)(ii)</i> | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iii)</i> | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iv)</i> | Were there any material weaknesses in internal control reported for major federal programs? | No |
| <i>(d)(1)(iv)</i> | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| <i>(d)(1)(v)</i> | Type of Major Programs' Compliance Opinion | Unmodified |
| <i>(d)(1)(vi)</i> | Are there any reportable findings under 2 CFR § 200.516(a)? | No |
| <i>(d)(1)(vii)</i> | Major Programs (list): <ul style="list-style-type: none"> • Water and Waste Disposal Systems for Rural Communities, AL # 10.760 | |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A/B Programs | Type A: > \$ 750,000 Type B: all others |
| <i>(d)(1)(ix)</i> | Low Risk Auditee under 2 CFR § 200.520? | Yes |

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

FINDING NUMBER 2022-001

Material Weakness - Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

**CITY OF NELSONVILLE
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2022
(Continued)**

| |
|---|
| 2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued) |
|---|

FINDING NUMBER 2022-001(Continued)

Material Weakness - Financial Reporting (Continued)

For the year ended December 31, 2022:

- One capital asset addition was overstated resulting in a decrease in Depreciable Capital Assets, Net and an increase in Capital Outlay of \$138,119 in the Water Fund.
- The allocation percentages relating to pension and OPEB liabilities were reversed resulting in the following:
 - Water Fund - an increase in Net Pension Asset of \$3,809, an increase in Net OPEB Asset of \$37,991, an increase in Deferred Outflow of Resources - Pension of \$176,033, an increase in Deferred Outflow of Resources - OPEB of \$5,182, an increase in Net Pension Liability of \$110,756, an increase in Deferred Inflow of Resources - Pension of \$114,780, an increase in Deferred Inflow of Resources - OPEB of \$36,324, and an increase in Fringe Benefits of \$38,845.
 - Sewer Fund - a decrease in Net Pension Asset of \$3,809, a decrease in Net OPEB Asset of \$37,991, a decrease in Deferred Outflow of Resources - Pension of \$176,033, a decrease in Deferred Outflow of Resources - OPEB of \$5,182, a decrease in Net Pension Liability of \$110,756, a decrease in Deferred Inflow of Resources - Pension of \$114,780, a decrease in Deferred Inflow of Resources - OPEB of \$36,324, and a decrease in Fringe Benefits of \$38,845.
- The activity relating to a grant received through the Ohio Water Development Authority (OWDA) was not included in the annual financial report resulting in an increase in Contractual Services and Intergovernmental Revenues of \$171,000 in the Water Fund.

In addition to the mispostings identified above, the City's Notes to the Basic Financial Statements also required material adjustment to account for these audit adjustments.

The District's financial statement and notes to the financial statement oversight and review procedures were not sufficient to help ensure activity is properly recorded and reported in the financial statements and notes. As a result, the significant adjustments noted above, with which the City's management agrees, were made, and are reflected in the accompanying financial statements and notes to the financial statements.

To ensure the City's financial statements and notes to the financial statements are complete and accurate, the City Auditor, or other designated City Official, should implement review procedures for revenues and expenditures, and year end balances to ensure amounts have been properly recorded. In addition, the City should implement financial statement and notes to the financial statement oversight and review procedures to be performed prior to filing those statements and notes in the Hinkle System.

Officials' Response: See Corrective Action Plan.

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|--|
| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS |
|--|

None



CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
DECEMBER 31, 2022

Finding Number: 2022-001
Planned Corrective Action: The City of Nelsonville will work thoroughly and efficiently with AOS-LGS to add additional steps of review and authentication of the City's asset listings before presentation in the financial statements.
Anticipated Completion Date: 12/31/2024
Responsible Contact Person: City of Nelsonville Auditor's Office

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 7/2/2024

65 East State 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