



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CITY OF NELSONVILLE
ATHENS COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Balance Sheet - All Fund Types and Account Groups - For the Year Ended December 31, 2001	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types - For the Year Ended December 31, 2001	8
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types - For the Year Ended December 31, 2001	9
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings - Proprietary Fund Type - For the Year Ended December 31, 2001	12
Combined Statement of Revenues, Expenses, and Changes in Fund Equity - Budget and Actual (Budget Basis) - Proprietary Fund Type - For the Year Ended December 31, 2001	13
Combined Statement of Cash Flows - Proprietary Fund Type - For the Year Ended December 31, 2001	14
Combined Balance Sheet - All Fund Types and Account Groups - For the Year Ended December 31, 2000	16
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types - For the Year Ended December 31, 2000	20
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types - For the Year Ended December 31, 2000	21
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings - Proprietary Fund Type - For the Year Ended December 31, 2000	24
Combined Statement of Revenues, Expenses, and Changes in Fund Equity - Budget and Actual (Budget Basis) - Proprietary Fund Type - For the Year Ended December 31, 2000	25
Combined Statement of Cash Flows - Proprietary Fund Type - For the Year Ended December 31, 2000	26
Notes to the General Purpose Financial Statements	29
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	55
Schedule of Findings	57
Schedule of Prior Audit Findings	60

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the City Council:

We have audited the accompanying general purpose financial statements of the City of Nelsonville, Athens County, Ohio (the City), as of and for the years ended December 31, 2001 and 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Nelsonville, Athens County, as of December 31, 2001 and 2000, and the results of its operations and the cash flows of its proprietary fund type for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the general purpose financial statements, the City adopted Governmental Accounting Standards Board Statements 33 and 36 for the year ending December 31, 2001.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2002, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

July 15, 2002

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City of Nelsonville, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups
 December 31, 2001

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<u>Assets and Other Debit:</u>			
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$527,848	\$357,622	\$3,660,255
Receivables:			
Taxes	298,733	252,633	76,044
Accounts	4,265	0	0
Intergovernmental	152,048	75,368	15,000
Interfund	169	0	0
Accrued Interest	48,249	996	4,127
Due from Other Funds	73,600	2,044	0
Prepaid Items	10,270	615	2,029
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	0	0	0
Cash and Cash Equivalents with Fiscal Agents	0	0	0
Investments with Fiscal Agents	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0
 <u>Other Debit:</u>			
Amount to be Provided from General Government Resources	0	0	0
 Total Assets and Other Debit	 \$1,115,182	 \$689,278	 \$3,757,455

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$1,146,335	\$4,781	\$0	\$0	\$5,696,841
0	0	0	0	627,410
264,920	77,759	0	0	346,944
218,066	0	0	0	460,482
0	0	0	0	169
5,177	0	0	0	58,549
0	0	0	0	75,644
7,929	0	0	0	20,843
61,920	0	0	0	61,920
747	0	0	0	747
94,533	0	0	0	94,533
1,976,079	0	4,855,436	0	6,831,515
0	0	0	2,613,386	2,613,386
<u>\$3,775,706</u>	<u>\$82,540</u>	<u>\$4,855,436</u>	<u>\$2,613,386</u>	<u>\$16,888,983</u>

(continued)

City of Nelsonville, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups (Continued)
 December 31, 2001

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<u>Liabilities, Fund Equity and Other Credits:</u>			
<u>Liabilities:</u>			
Accounts Payable	\$25,778	\$879	\$17
Contracts Payable	4,305	0	249
Accrued Wages and Benefits Payable	14,751	2,736	0
Compensated Absences Payable	1,539	75	0
Interfund Payable	0	169	0
Due to Other Funds	0	0	0
Intergovernmental Payable	6,845	2,347	105
Retainage Payable	0	0	0
Deferred Revenue	439,702	320,544	51,033
Due to Others	0	0	0
Accrued Interest Payable	0	0	0
Notes Payable	0	0	0
OWDA Loans Payable	0	0	0
G.O. Bonds Payable	0	0	0
Capital Leases Payable	0	0	0
Revenue Bonds Payable	0	0	0
Payable from Restricted Assets:			
Customer Deposits	0	0	0
Revenue Bonds Payable	0	0	0
Accrued Interest Payable	0	0	0
	492,920	326,750	51,404
Total Liabilities	492,920	326,750	51,404
<u>Fund Equity and Other Credits:</u>			
Investment in General Fixed Assets	0	0	0
Contributed Capital	0	0	0
Retained Earnings:			
Reserved for Revenue Bond Current Debt Service	0	0	0
Unreserved, Undesignated	0	0	0
Fund Balances:			
Reserved for Encumbrances	5,644	8,902	3,696
Reserved for Unclaimed Monies	6,902	0	0
Unreserved, Undesignated	609,716	353,626	3,702,355
	622,262	362,528	3,706,051
Total Fund Equity and Other Credits	622,262	362,528	3,706,051
Total Liabilities, Fund Equity and Other Credits	\$1,115,182	\$689,278	\$3,757,455

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$26,361	\$0	\$0	\$0	\$53,035
243,866	0	0	0	248,420
9,736	0	0	0	27,223
31,520	0	0	44,284	77,418
0	0	0	0	169
0	75,644	0	0	75,644
7,793	6,785	0	26,574	50,449
43,667	0	0	0	43,667
0	0	0	0	811,279
0	111	0	0	111
49,501	0	0	0	49,501
0	0	0	2,015,000	2,015,000
1,960,766	0	0	0	1,960,766
470,000	0	0	0	470,000
41,957	0	0	527,528	569,485
70,000	0	0	0	70,000
61,920	0	0	0	61,920
50,000	0	0	0	50,000
850	0	0	0	850
<u>3,067,937</u>	<u>82,540</u>	<u>0</u>	<u>2,613,386</u>	<u>6,634,937</u>
0	0	4,855,436	0	4,855,436
244,584	0	0	0	244,584
45,280	0	0	0	45,280
417,905	0	0	0	417,905
0	0	0	0	18,242
0	0	0	0	6,902
0	0	0	0	4,665,697
<u>707,769</u>	<u>0</u>	<u>4,855,436</u>	<u>0</u>	<u>10,254,046</u>
<u>\$3,775,706</u>	<u>\$82,540</u>	<u>\$4,855,436</u>	<u>\$2,613,386</u>	<u>\$16,888,983</u>

City of Nelsonville, Ohio
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
 All Governmental Fund Types
 For the Year Ended December 31, 2001

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<u>Revenues:</u>				
Property and Other Taxes	\$135,752	\$269,333	\$0	\$405,085
Municipal Income Taxes	752,514	0	501,536	1,254,050
Intergovernmental	258,297	178,543	630,000	1,066,840
Charges for Services	7,486	0	63,266	70,752
Fines, Licenses, and Permits	96,963	8,779	0	105,742
Interest	60,044	13,565	92,792	166,401
Donations	0	32,084	9,306	41,390
Other	50,783	857	3,993	55,633
Total Revenues	1,361,839	503,161	1,300,893	3,165,893
<u>Expenditures:</u>				
Current:				
Security of Persons and Property	882,993	8,343	0	891,336
Public Health Services	5,657	0	0	5,657
Leisure Time Activities	0	23,226	0	23,226
Community Environment	0	172,470	0	172,470
Transportation	0	351,658	0	351,658
General Government	589,251	764	0	590,015
Capital Outlay	0	0	1,355,845	1,355,845
Debt Service:				
Principal Retirement	61,198	2,956	0	64,154
Interest and Fiscal Charges	34,613	953	0	35,566
Total Expenditures	1,573,712	560,370	1,355,845	3,489,927
Excess of Revenues Under Expenditures	(211,873)	(57,209)	(54,952)	(324,034)
<u>Other Financing Sources (Uses):</u>				
Inception of Capital Lease	52,669	0	0	52,669
Proceeds of Notes	0	0	2,015,000	2,015,000
Operating Transfers In	0	1,000	0	1,000
Operating Transfers Out	(1,000)	0	0	(1,000)
Total Other Financing Sources (Uses)	51,669	1,000	2,015,000	2,067,669
Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	(160,204)	(56,209)	1,960,048	1,743,635
Fund Balances at Beginning of Year (Restated Note 3)	782,466	418,737	1,746,003	2,947,206
Fund Balances at End of Year	\$622,262	\$362,528	\$3,706,051	\$4,690,841

See accompanying notes to the general purpose financial statements

City of Nelsonville, Ohio
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types
 For the Year Ended December 31, 2001

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property and Other Taxes	\$141,150	\$135,752	(\$5,398)
Municipal Income Taxes	715,000	715,931	931
Intergovernmental	323,000	319,506	(3,494)
Charges for Services	3,700	2,939	(761)
Fines, Licenses, and Permits	98,250	102,835	4,585
Interest	100,000	35,184	(64,816)
Donations	0	0	0
Other	42,500	50,663	8,163
Total Revenues	1,423,600	1,362,810	(60,790)
<u>Expenditures:</u>			
Current:			
Security of Persons and Property	976,348	976,160	188
Public Health Services	5,657	5,657	0
Leisure Time Activities	0	0	0
Community Environment	0	0	0
Transportation	0	0	0
General Government	601,582	600,081	1,501
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	1,583,587	1,581,898	1,689
Excess of Revenues Under Expenditures	(159,987)	(219,088)	(59,101)
<u>Other Financing Sources (Uses):</u>			
Proceeds of Notes	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	(1,000)	(1,000)	0
Total Other Financing Sources (Uses)	(1,000)	(1,000)	0
Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	(160,987)	(220,088)	(59,101)
Fund Balances at Beginning of Year	641,026	641,026	0
Prior Year Encumbrances Appropriated	90,131	90,131	0
Fund Balances at End of Year	\$570,170	\$511,069	(\$59,101)

(continued)

City of Nelsonville, Ohio
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types (Continued)
 For the Year Ended December 31, 2001

	Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property and Other Taxes	\$279,232	\$269,333	(\$9,899)
Municipal Income Taxes	0	0	0
Intergovernmental	250,908	283,898	32,990
Charges for Services	0	0	0
Fines, Licenses, and Permits	16,700	10,843	(5,857)
Interest	0	12,569	12,569
Donations	75,000	32,084	(42,916)
Other	250	904	654
Total Revenues	622,090	609,631	(12,459)
<u>Expenditures:</u>			
<u>Current:</u>			
Security of Persons and Property	10,398	9,520	878
Public Health Services	0	0	0
Leisure Time Activities	28,024	22,974	5,050
Community Environment	325,036	284,181	40,855
Transportation	387,182	379,215	7,967
General Government	1,700	764	936
Capital Outlay	0	0	0
<u>Debt Service:</u>			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	752,340	696,654	55,686
Excess of Revenues Under Expenditures	(130,250)	(87,023)	43,227
<u>Other Financing Sources (Uses):</u>			
Proceeds of Notes	0	0	0
Operating Transfers In	12,000	1,000	(11,000)
Operating Transfers Out	0	0	0
Total Other Financing Sources (Uses)	12,000	1,000	(11,000)
Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	(118,250)	(86,023)	32,227
Fund Balances at Beginning of Year	410,858	410,858	0
Prior Year Encumbrances Appropriated	24,980	24,980	0
Fund Balances at End of Year	\$317,588	\$349,815	\$32,227

See accompanying notes to the general purpose financial statements

Capital Projects Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$420,382	\$405,085	(\$15,297)
475,000	477,156	2,156	1,190,000	1,193,087	3,087
630,000	630,000	0	1,203,908	1,233,404	29,496
14,000	63,266	49,266	17,700	66,205	48,505
0	0	0	114,950	113,678	(1,272)
30,000	88,665	58,665	130,000	136,418	6,418
0	9,306	9,306	75,000	41,390	(33,610)
0	3,993	3,993	42,750	55,560	12,810
<u>1,149,000</u>	<u>1,272,386</u>	<u>123,386</u>	<u>3,194,690</u>	<u>3,244,827</u>	<u>50,137</u>
0	0	0	986,746	985,680	1,066
0	0	0	5,657	5,657	0
0	0	0	28,024	22,974	5,050
0	0	0	325,036	284,181	40,855
0	0	0	387,182	379,215	7,967
0	0	0	603,282	600,845	2,437
2,090,120	1,471,735	618,385	2,090,120	1,471,735	618,385
2,155,000	2,155,000	0	2,155,000	2,155,000	0
60,000	60,000	0	60,000	60,000	0
<u>4,305,120</u>	<u>3,686,735</u>	<u>618,385</u>	<u>6,641,047</u>	<u>5,965,287</u>	<u>675,760</u>
<u>(3,156,120)</u>	<u>(2,414,349)</u>	<u>741,771</u>	<u>(3,446,357)</u>	<u>(2,720,460)</u>	<u>725,897</u>
2,015,000	2,015,000	0	2,015,000	2,015,000	0
0	0	0	12,000	1,000	(11,000)
0	0	0	(1,000)	(1,000)	0
<u>2,015,000</u>	<u>2,015,000</u>	<u>0</u>	<u>2,026,000</u>	<u>2,015,000</u>	<u>(11,000)</u>
(1,141,120)	(399,349)	741,771	(1,420,357)	(705,460)	714,897
875,635	875,635	0	1,927,519	1,927,519	0
965,273	965,273	0	1,080,384	1,080,384	0
<u>\$699,788</u>	<u>\$1,441,559</u>	<u>\$741,771</u>	<u>\$1,587,546</u>	<u>\$2,302,443</u>	<u>\$714,897</u>

City of Nelsonville, Ohio
 Combined Statement of Revenues,
 Expenses and Changes in Retained Earnings
 Proprietary Fund Type
 For the Year Ended December 31, 2001

	<u>Enterprise</u>
<u>Revenues:</u>	
Charges for Services	\$1,521,216
Other	940
	<u>1,522,156</u>
 <u>Expenses:</u>	
Salaries and Wages	441,618
Fringe Benefits	200,392
Contractual Services	243,432
Materials and Supplies	215,172
Other	1,931
Depreciation	89,553
	<u>1,192,098</u>
Total Expenses	<u>1,192,098</u>
Operating Income	<u>330,058</u>
 <u>Non-Operating Revenues (Expenses):</u>	
Capital Contributions	136,849
Interest Income	66,587
Interest and Fiscal Charges	(140,491)
	<u>62,945</u>
Total Non-Operating Revenues (Expenses)	<u>62,945</u>
Net Income	393,003
Retained Earnings at Beginning of Year	<u>70,182</u>
Retained Earnings at End of Year	<u>\$463,185</u>

See accompanying notes to the general purpose financial statements

City of Nelsonville, Ohio
 Combined Statement of Revenues, Expenses and Changes in
 Fund Equity - Budget and Actual (Budget Basis)
 Proprietary Fund Type
 For the Year Ended December 31, 2001

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Charges for Services	\$1,649,600	\$1,516,402	(\$133,198)
Tap-In Fees	4,700	20,399	15,699
Other	20,400	940	(19,460)
Interest	0	61,377	61,377
Customer Deposits Received	12,000	18,816	6,816
Proceeds of Loans	800,000	492,555	(307,445)
Total Revenues	2,486,700	2,110,489	(376,211)
<u>Expenses:</u>			
Current:			
Salaries and Wages	437,672	436,390	1,282
Fringe Benefits	205,539	201,989	3,550
Contractual Services	335,480	282,711	52,769
Materials and Supplies	224,862	220,491	4,371
Other	87,041	1,931	85,110
Customer Deposits Returned	34,907	34,907	0
Capital Outlay	1,228,874	1,229,195	(321)
Debt Service:			
Principal Retirement	154,379	133,947	20,432
Interest and Fiscal Charges	124,233	124,233	0
Total Expenses	2,832,987	2,665,794	167,193
Excess of Revenues Under Expenses	(346,287)	(555,305)	(209,018)
Fund Equity at Beginning of Year	1,169,208	1,169,208	0
Prior Year Encumbrances Appropriated	50,581	50,581	0
Fund Equity at End of Year	\$873,502	\$664,484	(\$209,018)

See accompanying notes to the general purpose financial statements

City of Nelsonville, Ohio
 Combined Statement of Cash Flows
 Proprietary Fund Type
 For the Year Ended December 31, 2001

	<u>Enterprise</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$1,518,716
Cash Payments for Employee Services and Benefits	(637,483)
Cash Payments for Goods and Services	(444,607)
Other Operating Revenues	940
Other Operating Expenses	(1,931)
Customer Deposits Received	18,816
Customer Deposits Returned	(34,907)
	<u>419,544</u>
 <u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition of Capital Assets	(740,108)
Principal Paid on Capital Leases	(10,205)
Interest Paid on Capital Leases	(1,906)
Proceeds of Loans	492,555
Principal Paid on Debt	(133,947)
Interest Paid on Debt	(124,233)
Contributions from Tap-In Fees	20,399
	<u>(497,445)</u>
 <u>Cash Flows from Investing Activities:</u>	
Interest on Investments	60,892
	<u>60,892</u>
Net Cash Provided by Investing Activities	<u>60,892</u>
Net Decrease in Cash and Cash Equivalents	(17,009)
Cash and Cash Equivalents at Beginning of Year	<u>1,226,011</u>
Cash and Cash Equivalents at End of Year	<u>\$1,209,002</u>

(continued)

City of Nelsonville, Ohio
 Combined Statement of Cash Flows
 Proprietary Fund Type (Continued)
 For the Year Ended December 31, 2001

	<u>Enterprise</u>
Reconciliation of Operating Income to <u>Net Cash Provided by Operating Activities:</u>	
Operating Income	\$330,058
Depreciation Expense	89,553
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(2,550)
Increase in Prepaids Items	(3,786)
Decrease in Accounts Payable	(4,367)
Increase in Contracts Payable	22,150
Increase in Accrued Wages and Benefits Payable	1,446
Increase in Compensated Absences Payable	3,782
Decrease in Customer Deposits	(16,041)
Decrease in Intergovernmental Payable	(701)
Net Cash Provided by Operating Activities	<u>\$419,544</u>

Noncash Capital and Related Financing Activities:

During 2001, the Sewer Enterprise Fund recorded a receivable for a reimbursable grant of \$218,066 from the Ohio Public Works Commission which was used for the sewer digester project and \$218,066 has been recorded as loan proceeds.

During 2001, the Enterprise Funds received \$116,450 in donated fixed assets.

See accompanying notes to the general purpose financial statements

City of Nelsonville, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups
 December 31, 2000

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Assets and Other Debit:			
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$732,789	\$434,206	\$1,840,908
Receivables:			
Taxes	258,093	286,998	75,975
Accounts	28	47	0
Intergovernmental	82,143	116,023	0
Accrued Interest	23,389	0	0
Due from Other Funds	49,893	2,600	0
Prepaid Items	8,709	406	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	0	0	0
Cash and Cash Equivalents with Fiscal Agents	0	0	0
Investments with Fiscal Agents	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0
 <u>Other Debit:</u>			
Amount to be Provided from General Government Resources	0	0	0
 Total Assets and Other Debit	\$1,155,044	\$840,280	\$1,916,883

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$1,146,818	\$6,547	\$0	\$0	\$4,161,268
0	0	0	0	621,066
262,370	56,972	0	0	319,417
0	0	0	0	198,166
0	0	0	0	23,389
0	0	0	0	52,493
4,143	0	0	0	13,258
77,961	0	0	0	77,961
1,232	0	0	0	1,232
95,663	0	0	0	95,663
925,241	0	4,150,318	0	5,075,559
0	0	0	2,733,919	2,733,919
<u>\$2,513,428</u>	<u>\$63,519</u>	<u>\$4,150,318</u>	<u>\$2,733,919</u>	<u>\$13,373,391</u>

(continued)

City of Nelsonville, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups (Continued)
 December 31, 2000

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Liabilities, Fund Equity and Other Credits:			
<u>Liabilities:</u>			
Accounts Payable	\$39,105	\$18,606	\$31
Contracts Payable	275	107,363	27,105
Accrued Wages and Benefits Payable	12,546	2,847	0
Compensated Absences Payable	85	447	0
Due to Other Funds	0	0	0
Intergovernmental Payable	45,452	3,312	0
Retainage Payable	0	0	83,400
Deferred Revenue	275,115	288,968	60,344
Due to Others	0	0	0
Accrued Interest Payable	0	0	0
Notes Payable	0	0	0
OWDA Loans Payable	0	0	0
G.O. Bonds Payable	0	0	0
Capital Leases Payable	0	0	0
Revenue Bonds Payable	0	0	0
Payable from Restricted Assets:			
Customer Deposits	0	0	0
Revenue Bonds Payable	0	0	0
Accrued Interest Payable	0	0	0
	372,578	421,543	170,880
Total Liabilities	372,578	421,543	170,880
<u>Fund Equity and Other Credits:</u>			
Investment in General Fixed Assets	0	0	0
Contributed Capital	0	0	0
Retained Earnings:			
Reserved for Revenue Bond Current Debt Service	0	0	0
Unreserved, Undesignated	0	0	0
Fund Balances:			
Reserved for Encumbrances	59,111	13,150	864,051
Reserved for Unclaimed Monies	5,852	0	0
Unreserved, Undesignated	717,503	405,587	881,952
	782,466	418,737	1,746,003
Total Fund Equity and Other Credits	782,466	418,737	1,746,003
Total Liabilities, Fund Equity and Other Credits	\$1,155,044	\$840,280	\$1,916,883

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$30,728	\$0	\$0	\$0	\$88,470
550	0	0	0	135,293
8,290	0	0	0	23,683
27,738	0	0	39,906	68,176
0	52,493	0	0	52,493
8,494	10,875	0	0	68,133
0	0	0	0	83,400
0	0	0	0	624,427
0	151	0	0	151
36,478	0	0	0	36,478
0	0	0	2,155,000	2,155,000
1,299,092	0	0	0	1,299,092
510,000	0	0	0	510,000
33,162	0	0	539,013	572,175
120,000	0	0	0	120,000
77,961	0	0	0	77,961
45,000	0	0	0	45,000
1,169	0	0	0	1,169
<u>2,198,662</u>	<u>63,519</u>	<u>0</u>	<u>2,733,919</u>	<u>5,961,101</u>
0	0	4,150,318	0	4,150,318
244,584	0	0	0	244,584
45,280	0	0	0	45,280
24,902	0	0	0	24,902
0	0	0	0	936,312
0	0	0	0	5,852
0	0	0	0	2,005,042
<u>314,766</u>	<u>0</u>	<u>4,150,318</u>	<u>0</u>	<u>7,412,290</u>
<u>\$2,513,428</u>	<u>\$63,519</u>	<u>\$4,150,318</u>	<u>\$2,733,919</u>	<u>\$13,373,391</u>

City of Nelsonville, Ohio
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
 All Governmental Fund Types
 For the Year Ended December 31, 2000

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<u>Revenues:</u>				
Property and Other Taxes	\$157,416	\$212,767	\$0	\$370,183
Municipal Income Taxes	717,799	0	476,341	1,194,140
Intergovernmental	352,770	565,922	150,000	1,068,692
Charges for Services	5,675	0	0	5,675
Fines, Licenses, and Permits	113,664	20,696	0	134,360
Interest	169,832	0	72,867	242,699
Donations	0	111,124	100	111,224
Other	106,697	2,622	0	109,319
Total Revenues	1,623,853	913,131	699,308	3,236,292
<u>Expenditures:</u>				
Current:				
Security of Persons and Property	1,439,727	3,837	0	1,443,564
Public Health Services	4,984	0	0	4,984
Leisure Time Activities	0	28,937	0	28,937
Community Environment	0	497,370	0	497,370
Transportation	129	342,179	0	342,308
General Government	560,584	700	0	561,284
Capital Outlay	0	0	1,891,516	1,891,516
Debt Service:				
Principal Retirement	82,747	2,795	0	85,542
Interest and Fiscal Charges	10,000	1,114	0	11,114
Total Expenditures	2,098,171	876,932	1,891,516	4,866,619
Excess of Revenues Under Expenditures	(474,318)	36,199	(1,192,208)	(1,630,327)
<u>Other Financing Sources (Uses):</u>				
Inception of Capital Lease	565,933	0	0	565,933
Proceeds of Notes	0	0	2,155,000	2,155,000
Operating Transfers In	0	12,181	117,324	129,505
Operating Transfers Out	(129,505)	0	0	(129,505)
Total Other Financing Sources (Uses)	436,428	12,181	2,272,324	2,720,933
Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	(37,890)	48,380	1,080,116	1,090,606
Fund Balances at Beginning of Year (Restated Note 3)	820,356	370,357	665,887	1,856,600
Fund Balances at End of Year	\$782,466	\$418,737	\$1,746,003	\$2,947,206

See accompanying notes to the general purpose financial statements

City of Nelsonville, Ohio
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types
 For the Year Ended December 31, 2000

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property and Other Taxes	\$180,149	\$157,416	(\$22,733)
Municipal Income Taxes	798,129	722,531	(75,598)
Intergovernmental	433,270	385,727	(47,543)
Charges for Services	7,868	5,771	(2,097)
Fines, Licenses, and Permits	128,978	106,501	(22,477)
Interest	91,215	146,443	55,228
Donations	0	0	0
Other	108,546	106,714	(1,832)
Total Revenues	1,748,155	1,631,103	(117,052)
<u>Expenditures:</u>			
Current:			
Security of Persons and Property	989,414	968,586	20,828
Public Health Services	4,989	4,984	5
Leisure Time Activities	0	0	0
Community Environment	0	0	0
Transportation	129	129	0
General Government	627,362	607,776	19,586
Capital Outlay	0	0	0
Total Expenditures	1,621,894	1,581,475	40,419
Excess of Revenues Under Expenditures	126,261	49,628	(76,633)
<u>Other Financing Sources (Uses):</u>			
Proceeds of Notes	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	(12,000)	(129,505)	(117,505)
Total Other Financing Sources (Uses)	(12,000)	(129,505)	(117,505)
Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	114,261	(79,877)	(194,138)
Fund Balances at Beginning of Year	718,749	718,749	0
Prior Year Encumbrances Appropriated	2,154	2,154	0
Fund Balances at End of Year	\$835,164	\$641,026	(\$194,138)

(continued)

City of Nelsonville, Ohio
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types (Continued)
 For the Year Ended December 31, 2000

	Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property and Other Taxes	\$216,050	\$212,767	(\$3,283)
Municipal Income Taxes	0	0	0
Intergovernmental	642,000	460,057	(181,943)
Charges for Services	0	0	0
Fines, Licenses, and Permits	7,500	19,105	11,605
Interest	0	0	0
Donations	170,000	111,124	(58,876)
Other	200	2,598	2,398
Total Revenues	1,035,750	805,651	(230,099)
<u>Expenditures:</u>			
Current:			
Security of Persons and Property	5,559	5,558	1
Public Health Services	0	0	0
Leisure Time Activities	30,952	29,281	1,671
Community Environment	640,000	401,425	238,575
Transportation	403,047	354,500	48,547
General Government	3,340	700	2,640
Capital Outlay	0	0	0
Total Expenditures	1,082,898	791,464	291,434
Excess of Revenues Under Expenditures	(47,148)	14,187	61,335
<u>Other Financing Sources (Uses):</u>			
Proceeds of Notes	0	0	0
Operating Transfers In	12,000	12,181	181
Operating Transfers Out	0	0	0
Total Other Financing Sources (Uses)	12,000	12,181	181
Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	(35,148)	26,368	61,516
Fund Balances at Beginning of Year	378,970	378,970	0
Prior Year Encumbrances Appropriated	5,520	5,520	0
Fund Balances at End of Year	\$349,342	\$410,858	\$61,516

See accompanying notes to the general purpose financial statements

Capital Projects Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$396,199	\$370,183	(\$26,016)
460,000	479,567	19,567	1,258,129	1,202,098	(56,031)
873,401	150,000	(723,401)	1,948,671	995,784	(952,887)
0	0	0	7,868	5,771	(2,097)
0	0	0	136,478	125,606	(10,872)
0	72,867	72,867	91,215	219,310	128,095
8,000	100	(7,900)	178,000	111,224	(66,776)
0	0	0	108,746	109,312	566
<u>1,341,401</u>	<u>702,534</u>	<u>(638,867)</u>	<u>4,125,306</u>	<u>3,139,288</u>	<u>(986,018)</u>
0	0	0	994,973	974,144	20,829
0	0	0	4,989	4,984	5
0	0	0	30,952	29,281	1,671
0	0	0	640,000	401,425	238,575
0	0	0	403,176	354,629	48,547
0	0	0	630,702	608,476	22,226
<u>3,566,054</u>	<u>2,749,358</u>	<u>816,696</u>	<u>3,566,054</u>	<u>2,749,358</u>	<u>816,696</u>
<u>3,566,054</u>	<u>2,749,358</u>	<u>816,696</u>	<u>6,270,846</u>	<u>5,122,297</u>	<u>1,148,549</u>
<u>(2,224,653)</u>	<u>(2,046,824)</u>	<u>177,829</u>	<u>(2,145,540)</u>	<u>(1,983,009)</u>	<u>162,531</u>
2,155,000	2,155,000	0	2,155,000	2,155,000	0
0	117,324	117,324	12,000	129,505	117,505
<u>0</u>	<u>0</u>	<u>0</u>	<u>(12,000)</u>	<u>(129,505)</u>	<u>(117,505)</u>
<u>2,155,000</u>	<u>2,272,324</u>	<u>117,324</u>	<u>2,155,000</u>	<u>2,155,000</u>	<u>0</u>
(69,653)	225,500	295,153	9,460	171,991	162,531
650,135	650,135	0	1,747,854	1,747,854	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>7,674</u>	<u>7,674</u>	<u>0</u>
<u>\$580,482</u>	<u>\$875,635</u>	<u>\$295,153</u>	<u>\$1,764,988</u>	<u>\$1,927,519</u>	<u>\$162,531</u>

City of Nelsonville, Ohio
 Combined Statement of Revenues,
 Expenses and Changes in Retained Earnings
 Proprietary Fund Type
 For the Year Ended December 31, 2000

	<u>Enterprise</u>
<u>Revenues:</u>	
Charges for Services	\$1,600,323
Other	775
	<u>1,601,098</u>
 <u>Expenses:</u>	
Salaries and Wages	432,285
Fringe Benefits	179,467
Contractual Services	268,985
Materials and Supplies	148,003
Depreciation	86,038
	<u>1,114,778</u>
Total Expenses	<u>1,114,778</u>
 Operating Income	<u>486,320</u>
 <u>Non-Operating Revenues (Expenses):</u>	
Interest Income	7
Interest and Fiscal Charges	(136,942)
	<u>(136,935)</u>
Total Non-Operating Revenues (Expenses)	<u>(136,935)</u>
 Net Income	<u>349,385</u>
 Retained Earnings at Beginning of Year	<u>(279,203)</u>
 Retained Earnings at End of Year	<u>\$70,182</u>

See accompanying notes to the general purpose financial statements

City of Nelsonville, Ohio
 Combined Statement of Revenues, Expenses and Changes in
 Fund Equity - Budget and Actual (Budget Basis)
 Proprietary Fund Type
 For the Year Ended December 31, 2000

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Charges for Services	\$1,602,000	\$1,573,001	(\$28,999)
Tap-In Fees	12,300	4,850	(7,450)
Other	9,300	9,494	194
Customer Deposits Received	14,000	12,200	(1,800)
 Total Revenues	 1,637,600	 1,599,545	 (38,055)
<u>Expenses:</u>			
Current:			
Salaries and Wages	444,371	443,318	1,053
Fringe Benefits	188,774	181,364	7,410
Contractual Services	306,611	279,958	26,653
Materials and Supplies	230,052	160,521	69,531
Customer Deposits Returned	19,500	19,268	232
Capital Outlay	88,547	94,363	(5,816)
Debt Service:			
Principal Retirement	137,790	137,725	65
Interest and Fiscal Charges	138,178	138,114	64
 Total Expenses	 1,553,823	 1,454,631	 99,192
 Excess of Revenues Under Expenses	 83,777	 144,914	 61,137
 Fund Equity at Beginning of Year	 994,941	 994,941	 0
 Prior Year Encumbrances Appropriated	 29,354	 29,354	 0
 Fund Equity at End of Year	 \$1,108,072	 \$1,169,209	 \$61,137

See accompanying notes to the general purpose financial statements

City of Nelsonville, Ohio
 Combined Statement of Cash Flows
 Proprietary Fund Type
 For the Year Ended December 31, 2000

	<u>Enterprise</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$1,570,983
Cash Payments for Employee Services and Benefits	(623,817)
Cash Payments for Goods and Services	(402,945)
Other Operating Revenues	9,494
Customer Deposits Received	12,200
Customer Deposits Returned	(19,268)
	<u>546,647</u>
<u>Net Cash Provided by Operating Activities</u>	
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition of Capital Assets	(74,363)
Principal Paid on Capital Leases	(5,590)
Interest Paid on Capital Leases	(2,228)
Principal Paid on Debt	(137,725)
Interest Paid on Debt	(138,114)
Contributed Capital	4,850
	<u>(353,170)</u>
<u>Net Cash Used for Capital and Related Financing Activities</u>	
<u>Cash Flows from Investing Activities:</u>	
Interest on Investments	1,093
	<u>1,093</u>
<u>Net Cash Provided by Investing Activities</u>	
Net Decrease in Cash and Cash Equivalents	194,570
Cash and Cash Equivalents at Beginning of Year	<u>1,031,441</u>
Cash and Cash Equivalents at End of Year	<u>\$1,226,011</u>

(continued)

City of Nelsonville, Ohio
 Combined Statement of Cash Flows
 Proprietary Fund Type (Continued)
 For the Year Ended December 31, 2001

	<u>Enterprise</u>
Reconciliation of Operating Income to <u>Net Cash Provided by Operating Activities:</u>	
Operating Income	\$486,320
Depreciation Expense	86,038
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(20,621)
Decrease in Prepaids Items	1,735
Increase in Accounts Payable	14,548
Decrease in Contracts Payable	(1,858)
Increase in Accrued Wages and Benefits Payable	183
Decrease in Compensated Absences Payable	(11,157)
Decrease in Customer Deposits	(7,068)
Decrease in Intergovernmental Payable	(1,473)
	<u>\$546,647</u>
Net Cash Provided by Operating Activities	<u>\$546,647</u>

Noncash Capital and Related Financing Activities:

During 2000, the Enterprise Funds received \$65,984 in donated fixed assets.

See accompanying notes to the general purpose financial statements

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City of Nelsonville, Ohio

Notes to the General Purpose Financial Statements
For the Years Ended December 31, 2001 and 2000

NOTE 1 - REPORTING ENTITY

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

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

The financial reporting entity consists of the primary government, component units, and other governmental organizations included to ensure that the financial statements of the City are not misleading. 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 on the City in that the City approves the budget, the issuance of debt, or the levying of taxes for the organization. No separate government units meet the criteria for inclusion as a component unit.

The City provides various services including police and fire protection, emergency medical, recreation (including parks), planning, zoning, street maintenance and repair, water and water pollution control, and general administrative services. The operation of each of these activities is directly controlled by the Council through the budgetary process. These City operations form the legal entity of the City and are included as the primary government.

The following have been excluded from the financial reporting entity:

Nelsonville City School District
Doctor's Hospital of Nelsonville
The Nelsonville Area Chamber of Commerce
911 Technical Advisory Committee
Athens County Emergency Planning Committee

The City participates in a jointly governed organization and an insurance purchasing pool. These organizations are presented in Note 20 and Note 21 to the General Purpose Financial Statements. The organizations are:

Athens County Regional Planning Commission
Ohio Rural Water Association Workers' Compensation Group Rating Plan

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources. The City applies Financial Accounting Standards Board statements and interpretations issued prior to November 30, 1989, to proprietary activities provided they do not conflict with Governmental Accounting Standards Board statements and interpretations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation - Fund Accounting

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary. Each category in turn, is divided into separate "fund types." The City uses the following fund types and account groups:

Governmental Fund Types Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The following are the City's governmental fund types:

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

Special Revenue Funds These funds are established to account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted to expenditure for specified purposes.

Capital Projects Funds These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Type Proprietary funds are used to account for the City's ongoing activities which are similar to those found in the private sector. The following is the City's proprietary fund type:

Enterprise Funds These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Types Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City's only fiduciary fund is an agency fund. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Account Groups To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are typically used:

General Fixed Asset Account Group To account for all general fixed assets of the City other than those accounted for in proprietary funds.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

General Long-Term Obligations Account Group To account for all unmatured long-term indebtedness of the City that is not a specific liability of proprietary funds.

B. Measurement Focus and Basis of Accounting

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) of net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is typically segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds.

For 2001, revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the modified accrual basis when the exchange takes place, provided that the resources are also measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within thirty-one days of year end.

For 2001, 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 a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized. If available, revenue from income taxes is recognized in the period in which the income is earned; revenue from property taxes is recognized in the year for which the taxes are levied; (See Note 7) and revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income tax, state-levied locally shared taxes, interest, grants, fees, and rentals.

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2001 and 2000, but which were levied to finance year 2002 and 2001 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

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.

C. Budgetary Process

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

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

Estimated Resources The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if revenue fluctuations are anticipated. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2001.

Appropriations A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. Fund appropriations may be modified during the year only by an ordinance of Council. The City Manager and City Auditor have the authority to change the allocation within the funds, as necessary. During the year, several supplemental appropriation measures were passed. None of these supplemental appropriations had any significant effect on the original appropriations. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Encumbrances As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds and are reported in the notes to the financial statements for proprietary funds.

City of Nelsonville, Ohio

Notes to the General Purpose Financial Statements
For the Years Ended December 31, 2001 and 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

Lapsing of Appropriations At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding year and is not reappropriated.

D. Cash and Cash Equivalents

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

During 2001 and 2000, investments were limited to money market mutual funds, which are reported at fair value based on the funds' current share price, STAROhio, and nonnegotiable certificates of deposit. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2001 and 2000.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest is credited to the General Fund, capital projects funds, and the enterprise funds. Interest revenue credited to the General Fund during 2001 amounted to \$60,044, which includes \$49,824 assigned from other City funds. Interest revenue credited to the General Fund during 2000 amounted to \$169,832, which includes \$139,267 assigned from other City funds.

The City utilizes a trustee bank to service its mortgage revenue bonds as principal and interest payments come due. The balances in these accounts are presented on the Combined Balance Sheet as Restricted Assets: "Cash and Cash Equivalents with Fiscal Agents" and "Investments with Fiscal Agents". Amounts invested by the trustee bank for the Sewer Enterprise Fund are limited to open-end mutual funds and are reported at fair value, which is based on the funds' current share prices.

For purposes of the combined statement of cash flows and for presentation of the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

At December 31, 2001, the Baird Trust Special Revenue Fund had a deficit cash balance of \$169. On a GAAP basis, the General Fund loaned the needed cash to this fund; therefore, the General Fund reflects an interfund receivable for \$169.

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2001, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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 creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the enterprise funds represent customer deposits and funds restricted as part of the bond indenture for debt service.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group. Fund fixed assets (assets used to provide the services accounted for in the enterprise funds) are reported in the respective funds. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost when no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The City maintains a capitalization threshold of five hundred dollars.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of fund fixed assets.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized, as these assets are immovable and of value only to the City.

Assets in the General Fixed Assets Account Group are not depreciated. Depreciation in the proprietary fund type is computed using the straight-line method over the following useful lives:

Land and Improvements	15 - 50 Years
Buildings and Improvements	40 - 50 Years
Furniture and Fixtures	10 - 15 Years
Equipment	10 - 15 Years
Vehicles	3 - 5 Years

H. Interfund Assets and Liabilities

Amounts owed to a particular fund by another fund in the same government for goods or services rendered are classified as "Due from Other Funds/Due to Other Funds." Short-term interfund loans are classified as "interfund receivables/payables."

I. Compensated Absences

GASB Statement 16, "Accounting for Compensated Absences", specifies the methods used to accrue liabilities for leave benefits. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Compensated Absences (Continued)

The City records a liability for accumulated, unused vacation time when earned for all employees exceeding their probation period. The City records a liability for accumulated, unused sick leave for all City employees with at least fifteen years of service. For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the General Long-Term Obligations Account Group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J. Contributed Capital

Prior to 2001, contributed capital represented resources from other funds, other governments, and private sources provided to enterprise funds that is not subject to repayment. Because the City had not prepared financial statements in accordance with Generally Accepted Accounting Principles prior to 1999, the exact amount of contributed capital pertaining to prior years cannot be determined. Consequently, only those amounts that have been able to be identified specifically have been classified as contributed capital in the accompanying combined financial statements.

Capital contributions received in 2001 have been recorded as revenues and are reported as increases in retained earnings based in guidelines established by GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions".

K. Intergovernmental Revenues

For governmental funds in 2000, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, shared revenues, and entitlements, are recorded as receivables and revenues when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants, entitlements, or shared revenues received for proprietary fund operating purposes are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

L. Fund Balance Reserves

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Fund balances are reserved for encumbrances and unclaimed monies. Under Ohio law, unclaimed monies are not available for appropriation until they have remained unclaimed for five years.

M. Interfund Transactions

During the course of normal operations the City had numerous transactions between funds. The most significant include operating transfers and reimbursements.

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another fund are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current expendable available financial resources. Payments made more than thirty days after year end are generally considered not to have been paid with current available financial resources.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

O. Estimates

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

P. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENTS

For 2001, the City has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues." GASB Statements No. 33 and 36 establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or modified accrual basis of accounting is required. For revenue recognition to occur on the modified accrual basis, however, the criteria established for accrual basis revenue recognition must be met and the revenue must be available. The provisions of Statement No. 33 also require that capital contributions to proprietary funds be recognized as revenue and are reported as increases in retained earnings beginning in 2001. The implementation of GASB Statements 33 and 36 had no effect on fund balance at December 31, 2000.

RESTATEMENT OF FUND EQUITY

As of December 31, 1999, capital projects fund balances were understated in the amount of \$137,024 and the special revenue funds balances were overstated in the amount of \$137,024. This restatement resulted in the increase in the fund balance of the capital projects fund balance from \$528,863 to \$665,887 and a decrease in the fund balance of the in the special revenue funds from \$507,381 to \$370,357. This restatement was due to the reclassification of a fund from the Special Revenue Fund Type to Capital Projects Fund Type.

City of Nelsonville, Ohio
Notes to the General Purpose Financial Statements
For the Years Ended December 31, 2001 and 2000

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Fund Deficits

At December 31, 2001, the Baird Trust Special Revenue Fund had a deficit fund balance of \$297. The deficit resulted from the recognition of payables in accordance with Generally Accepted Accounting Principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The Sewer Enterprise Fund had deficit retained earnings of \$537,050 at December 31, 2001. The deficit is the result of accumulated losses. Management is reviewing and analyzing the sewer operations to determine appropriate measures necessary to eliminate the deficit.

At December 31, 2000, the Aquatic Center Capital Project Fund had a deficit fund balance of \$585,456. The deficit resulted from the issuance of notes to finance construction projects and the recognition of payables in accordance with Generally Accepted Accounting Principles. Once the notes were retired, the deficits were eliminated.

The Sewer Enterprise Fund had deficit retained earnings of \$605,743 at December 31, 2000. The deficit is the result of accumulated losses. Management is reviewing and analyzing the sewer operations to determine appropriate measures necessary to eliminate the deficit.

B. Statutory Compliance

The following fund had appropriations in excess of estimated resources plus available balances for the year ended December 31, 2001:

	Resources	Appropriations	Excess
Community Development Block Grant	\$129,163	\$141,507	(\$12,344)

The following fund had appropriations in excess of estimated resources plus available balances for the year ended December 31, 2000:

	Resources	Appropriations	Excess
Aquatic Center	\$1,805,000	\$1,972,624	(\$167,624)
Mayors Court	\$67,842	\$73,495	(\$5,653)

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity- Budget and Actual (Budget Basis) - Proprietary Fund Type is presented on the budgetary basis to provide a comparison of actual results with the budget and to demonstrate compliance with State statute. The major differences between the budget basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

City of Nelsonville, Ohio

Notes to the General Purpose Financial Statements
For the Years Ended December 31, 2001 and 2000

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

3. Outstanding year end encumbrances are treated as expenditures/expenses (budget) rather than as a reservation of fund balance for governmental fund types and as note disclosure for the proprietary fund type (GAAP).
4. Proceeds from and principal payment on short-term note obligations are reported on the operating statement (budget) rather than on the balance sheet (GAAP).
5. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget) rather than as balance sheet transactions (GAAP).
6. Unreported Cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.

Adjustments necessary to convert the results of operations at December 31, 2001 on the Budget Basis to the GAAP basis are as follows:

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types

	General	Special Revenue	Capital Projects
GAAP Basis	<u>(\$160,204)</u>	<u>(\$56,209)</u>	<u>\$1,960,048</u>
Revenue Accruals	971	106,470	(28,507)
Expenditure Accruals	(44,245)	(126,538)	(2,325,165)
Prepaid Items	(1,561)	(209)	(2,029)
Encumbrances	(15,049)	(9,537)	(3,696)
Budget Basis	<u><u>(\$220,088)</u></u>	<u><u>(\$86,023)</u></u>	<u><u>(\$399,349)</u></u>

Net Income/Excess of Revenues Under Expenses
Proprietary Fund Type

	Enterprise
GAAP Basis	<u>\$393,003</u>
Revenue Accruals	34,523
Expense Accruals	(30,600)
Capital Contributions	(136,849)
Prepays	(3,786)
Capital Outlay	(717,958)
Unreported Cash	(5,332)
Principal Retirement	(133,947)
Proceeds of Loans	492,555
Depreciation Expense	89,553
Encumbrances	(536,467)
Budget Basis	<u><u>(\$555,305)</u></u>

City of Nelsonville, Ohio
Notes to the General Purpose Financial Statements
For the Years Ended December 31, 2001 and 2000

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

Adjustments necessary to convert the results of operations at December 31, 2000 on the Budget Basis to the GAAP basis are as follows:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types			
	General	Special Revenue	Capital Projects
GAAP Basis	(\$37,890)	\$48,380	\$1,080,116
Revenue Accruals	7,250	(107,480)	3,226
Expenditure Accruals	32,185	110,042	107,431
Prepaid Items	8,709	406	0
Encumbrances	(90,131)	(24,980)	(965,273)
Budget Basis	<u>(\$79,877)</u>	<u>\$26,368</u>	<u>\$225,500</u>

Net Income/Excess of Revenues and Operating Transfers Over Expenses Proprietary Fund Type	
	<u>Enterprise</u>
GAAP Basis	\$349,385
Revenue Accruals	71,291
Expense Accruals	(10,423)
Contributed Capital	(70,834)
Prepays	4,143
Capital Outlay	(94,363)
Principal Retirement	(137,725)
Unreported Cash	(2,017)
Depreciation Expense	86,038
Encumbrances	(50,581)
Budget Basis	<u>\$144,914</u>

NOTE 6 - DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts. Inactive deposits are public deposits that Council has identified as not required for use within the current two 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 pass book accounts.

City of Nelsonville, Ohio
Notes to the General Purpose Financial Statements
For the Years Ended December 31, 2001 and 2000

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United State Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAROhio).

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

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is not default of principal, interest or coupons; and,
3. Obligations of the City.

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

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

City of Nelsonville, Ohio

Notes to the General Purpose Financial Statements
For the Years Ended December 31, 2001 and 2000

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

Cash on Hand For the years ended December 31, 2001 and 2000, respectively, the City had \$12,085 and \$4,489 in unreported cash on hand which is included on the Balance Sheet of the City as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits At December 31, 2001, the carrying amount of the City's deposits was \$2,281,816 and the bank balance was \$2,416,381. Of the bank balance:

1. \$420,496 was covered by federal depository insurance; and
2. \$1,995,885 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

At December 31, 2000, the carrying amount of the City's deposits was \$2,535,864 and the bank balance was \$2,865,805. Of the bank balance:

1. \$527,233 was covered by federal depository insurance; and
2. \$2,338,572 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments The City's investments are required to be categorized to give an indication of the level of risk assumed by the City at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. Investments in STAR Ohio and money market mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

December 31, 2001	Fair Value	December 31, 2000	Fair Value
STAROhio	\$1,250,607	STAROhio	\$1,700,108
Money Market Mutual Funds	94,533	Money Market Mutual Funds	95,663
	\$1,345,140		\$1,795,771

The classification of "Cash and Cash Equivalents" and "Investments" on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 for December 31, 2001 and 2000 is as follows:

December 31, 2001	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$3,544,508	\$94,533
Unreported Cash	(12,085)	0
STAROhio	(1,250,607)	1,250,607
GASB Statement 3	\$2,281,816	\$1,345,140

City of Nelsonville, Ohio

Notes to the General Purpose Financial Statements
For the Years Ended December 31, 2001 and 2000

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

December 31, 2000	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$4,240,461	\$95,663
Unreported Cash	(4,489)	0
STAROhio	(1,700,108)	1,700,108
GASB Statement 3	<u>\$2,535,864</u>	<u>\$1,795,771</u>

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property, and tangible personal property located in the City. Property tax revenue received during 2001 for real and public utility property taxes represents collections of 2000 taxes. Property tax revenue received during 2000 for real and public utility property taxes represents collections of 1999 taxes. Property tax payments received during 2001 for tangible personal property (other than public utility property) is for 2001 taxes. Property tax payments received during 2000 for tangible personal property (other than public utility property) is for 2000 taxes.

2001 taxes collected from real property taxes (other than public utility) are levied after October 1, 2001 on the assessed value as of January 1, 2001, the lien date. 2000 taxes collected from real property taxes (other than public utility) are levied after October 1, 2000 on the assessed value as of January 1, 2000, the lien date. Assessed values are established by State Law at 35 percent of appraised market value. 2001 real property taxes are intended to finance 2002 and 2000 real property taxes are intended to finance 2001. All property is required to be revalued every six years. The last revaluation was completed in 2000. 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.

2001 taxes collected on tangible personal property (other than public utility) are levied after October 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. 2000 taxes collected on tangible personal property (other than public utility) are levied after October 1, 1999, on the value as of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are 25 percent of true value. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

2001 public utility real and tangible personal property taxes become a lien December 31, 2000, are levied after October 1, 2001, and are collected in 2002 with real property taxes. 2000 public utility real and tangible personal property taxes become a lien December 31, 1999, are levied after October 1, 2000, and are collected in 2001 with real property taxes. Public utility tangible personal property currently is at various percentages of true value; public utility real property is assessed at 35 percent of true value.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Nelsonville. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represent real and tangible personal property taxes, public utility taxes, and outstanding delinquencies which are measurable as of December 31, 2001 and 2000, and for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance current year 2001 and 2000 operations. The receivable is offset by deferred revenue.

City of Nelsonville, Ohio

Notes to the General Purpose Financial Statements
For the Years Ended December 31, 2001 and 2000

NOTE 7 - PROPERTY TAXES (Continued)

The full tax rate for all City operations for the year ended December 31, 2001 and 2000 was \$10.80 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2001 property tax receipts were based are as follows:

Real Property	\$32,742,170
Public Utility Tangible Personal Property	3,107,740
Tangible Personal Property	<u>10,416,195</u>
Total Assessed Value	<u><u>\$46,266,105</u></u>

The assessed values of real and tangible personal property upon which 2000 property tax receipts were based are as follows:

Real Property	\$30,265,870
Public Utility Tangible Personal Property	3,086,690
Tangible Personal Property	<u>12,515,890</u>
Total Assessed Value	<u><u>\$45,868,450</u></u>

NOTE 8 - RECEIVABLES

Receivables at December 31, 2001 and 2000, consisted of taxes, accrued interest, accounts (billings for user charged services including unbilled utility services and outstanding court costs), and intergovernmental receivables arising from entitlements and shared revenues. All receivables are considered fully collectible.

A summary of the principal items of intergovernmental receivables follows:

2001 Intergovernmental Receivables	Amounts	2000 Intergovernmental Receivables	Amounts
General Fund:		General Fund:	
Estate Tax	\$3,105	Estate Tax	\$54,982
Local Government	139,171	Local Government	17,219
Miscellaneous	<u>9,772</u>	FEMA	9,543
Total General Fund	<u>152,048</u>	Miscellaneous	<u>399</u>
Special Revenue Funds:		Total General Fund	<u>82,143</u>
Gasoline Tax	56,001	Special Revenue Funds:	
Permissive Tax	709	Gasoline Tax	8,011
Miscellaneous	<u>18,658</u>	Community Development Block Grant	105,607
Total Special Revenue Funds	<u>75,368</u>	Permissive Tax	584
Capital Projects Fund:		Miscellaneous	<u>1,821</u>
Natureworks Grant	<u>15,000</u>	Total Special Revenue Funds	<u>116,023</u>
Enterprise Fund:		Total Intergovernmental Receivables	<u><u>\$198,166</u></u>
OWDA	<u>218,066</u>		
Total Intergovernmental Receivables	<u><u>\$460,482</u></u>		

NOTE 9 - INCOME TAX

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 1.75 percent.

City of Nelsonville, Ohio
Notes to the General Purpose Financial Statements
For the Years Ended December 31, 2001 and 2000

NOTE 9 - INCOME TAX (Continued)

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 distributed to funds in the following manner: 60% to the General Fund, 26% to the Capital Improvement Capital Projects Fund, and 14% to the Aquatic Center Capital Projects Fund.

NOTE 10 - FIXED ASSETS AND DEPRECIATION

A summary of the enterprise funds' property, plant, and equipment at December 31, 2001, follows:

Asset Category	Water	Sewer	Total
Land and Improvements	\$36,497	\$117,358	\$153,855
Buildings and Improvements	733,950	425,274	1,159,224
Furniture, Fixtures and Equipment	670,859	1,039,997	1,710,856
Vehicles	55,200	74,200	129,400
Construction in Progress	245,517	751,591	997,108
Total	1,742,023	2,408,420	4,150,443
Less: Accumulated Depreciation	(1,109,965)	(1,064,399)	(2,174,364)
Net Fixed Assets	\$632,058	\$1,344,021	\$1,976,079

A summary of the changes in general fixed assets during 2001 follows:

Asset Category	Balance at 12/31/00	Additions	Deletions	Balance at 12/31/01
Land and Improvements	\$228,410	\$30,422	\$0	\$258,832
Buildings and Improvements	637,949	2,072,830	0	2,710,779
Furniture, Fixtures and Equipment	722,135	218,654	0	940,789
Vehicles	934,800	52,368	42,132	945,036
Construction in Progress	1,627,024	0	1,627,024	0
Totals	\$4,150,318	\$2,374,274	\$1,669,156	\$4,855,436

A summary of the enterprise funds' property, plant, and equipment at December 31, 2000, follows:

Asset Category	Water	Sewer	Total
Land and Improvements	\$28,102	\$111,158	\$139,260
Buildings and Improvements	732,024	423,881	1,155,905
Furniture, Fixtures and Equipment	628,698	975,789	1,604,487
Vehicles	55,200	55,200	110,400
Total	1,444,024	1,566,028	3,010,052
Less: Accumulated Depreciation	(1,076,866)	(1,007,945)	(2,084,811)
Net Fixed Assets	\$367,158	\$558,083	\$925,241

City of Nelsonville, Ohio

Notes to the General Purpose Financial Statements
For the Years Ended December 31, 2001 and 2000

NOTE 10 - FIXED ASSETS AND DEPRECIATION (Continued)

A summary of the changes in general fixed assets during 2000 follows:

Asset Category	Balance at 12/31/99	Additions	Deletions	Balance at 12/31/00
Land and Improvements	\$95,286	\$133,124	\$0	\$228,410
Buildings and Improvements	190,263	447,686	0	637,949
Furniture, Fixtures and Equipment	634,149	99,986	12,000	722,135
Vehicles	406,014	585,786	57,000	934,800
Construction in Progress	126,207	1,500,817	0	1,627,024
Totals	\$1,451,919	\$2,767,399	\$69,000	\$4,150,318

NOTE 11 - RISK MANAGEMENT

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 Municipal Insurance Alliance, through the McFadden Insurance Services Company, with a blanket insurance policy with the following coverage limits and deductibles:

Property	Deductible	Limits of Coverage
Real Property	\$1,000	\$7,421,413
General Liability:		
Per Occurrence	\$1,000	\$5,000,000
Annual Aggregate	\$1,000	\$5,000,000
Inland Marine	\$500	\$258,477
Wrongful Acts Liability:		
Per Occurrence	\$1,000	\$5,000,000
Annual Aggregate	\$1,000	\$6,000,000
Vehicles:		
Comprehensive	\$100	\$5,000,000
Collision	\$250	\$5,000,000
Employee Dishonesty	\$250	\$25,000
Police Professional:		
Per Occurrence	\$1,000	\$5,000,000
Annual Aggregate	\$1,000	\$6,000,000

The City Manager reviews all claims. Settlements have not exceeded coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

For 2001 and 2000, the City participated in the Ohio Rural Water Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool (see Note 21). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The worker's compensation experience of the participating entities is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. The savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Each year the City pays an enrollment fee to the Plan to cover the costs of administering the program.

City of Nelsonville, Ohio
Notes to the General Purpose Financial Statements
For the Years Ended December 31, 2001 and 2000

NOTE 11 - RISK MANAGEMENT (Continued)

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2001 employer pension contribution rate for the City was 9.25 percent of covered payroll, increased from 6.54 percent in 2000. For calendar year 2000, PERS instituted a temporary employer rate rollback for state and local governments. The 2000 employer pension contribution rate for the City was 6.54 percent of covered payroll, reduced from 9.35 percent in 1999. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 2001, 2000, and 1999 were \$84,043, \$50,855, and \$71,320, respectively. The full amount has been contributed for 2000 and 1999. 89 percent has been contributed for 2001 with the remainder being reported as fund liabilities.

B. Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer public employee retirement system administered by the OP&F's Board of Trustees. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215 - 5164.

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 12 percent for police and 16.5 percent for firefighters. For 2000, the City contributions were 12.25 percent for police and 16.75 percent for firefighters. For 1999, the City contributions were 12.5 percent for police and 17 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police and firefighters were \$35,789 and \$28,318 for the year ended December 31, 2001, \$32,742 and \$26,075 for the year ended December 31, 2000, and \$32,336 and \$26,814 for the year ended December 31, 1999. The full amount has been contributed for 2000 and 1999. 73 percent and 74 percent, respectively, have been contributed for 2001, with the remainder being reported in the General Long-Term Obligations Account Group.

City of Nelsonville, Ohio
Notes to the General Purpose Financial Statements
For the Years Ended December 31, 2001 and 2000

Note 13 - POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2001 employer contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for 2001. For 2000, the contribution rate was 10.84 percent of covered payroll; 4.30 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2000, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants was 411,076. The City's actual contributions for 2001 which were used to fund postemployment benefits were \$39,068. The City's actual contributions for 2000 were \$33,437. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2000, (the latest information available) were \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$14,364.6 million and \$2,628.7 million, respectively.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.5 percent of covered payroll was applied to the postemployment health care program during 2001. For 2000 the percent used to fund healthcare was 7.25 percent. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 2001 that were used to fund postemployment benefits were \$22,368 for police and \$12,872 for fire. The City's actual contributions for 2000 were \$19,378 for police and \$11,286 for fire. The OP&F's total health care expense for the year ended December 31, 2000, (the latest information available) was \$106,160,054, which was net of member contributions of \$5,657,431. The number of OP&F participants eligible to receive health care benefits as of December 31, 2000, was 12,853 for police and 10,037 for firefighters.

City of Nelsonville, Ohio
Notes to the General Purpose Financial Statements
For the Years Ended December 31, 2001 and 2000

NOTE 14 - OTHER EMPLOYEE BENEFITS

A. Insurance

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

The City provides comprehensive major medical insurance through Medical Mutual of Ohio. Premiums are \$380.95 for single coverage and \$1,117.43 for family coverage. Vision insurance is provided through the Vision Service Plan, Inc. The premiums are \$10.51 for single coverage and \$28.77 for family coverage. Dental insurance is provided through the Guardian Insurance Plans. The premiums are \$22.23 for single coverage and \$82.67 for family coverage. The City pays 100% of the premiums for both single and family plans for all insurance offered.

B. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Employees earn five to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to employees upon termination of employment. Employees earn sick leave at the rate of 4.6 hours per pay period. There is no limit to the amount of sick leave that may be accumulated. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum of 60 days.

NOTE 15 CAPITAL LEASES - LESSEE DISCLOSURE

During 2001, the City entered into three new capital leases for the purchase of police cruisers, a truck and telephone equipment. In prior years, the City had entered into several capital leases for the purchase of vehicles and equipment.

The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments made from governmental funds have been reclassified and are reflected as debt service expenditures in the general purpose financial statements. These expenditures are reflected as program expenditures on a budgetary basis.

The assets acquired through capital leases are as follows:

	GFAAG	Enterprise Funds
Machinery and Equipment	\$51,907	\$44,420
Vehicles	645,757	19,000
Less: Accumulated Depreciation	0	(9,304)
Total	\$697,664	\$54,116

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2001.

City of Nelsonville, Ohio

Notes to the General Purpose Financial Statements
For the Years Ended December 31, 2001 and 2000

NOTE 15 CAPITAL LEASES - LESSEE DISCLOSURE (Continued)

Year Ending December 31,	Governmental Obligations	Enterprise Obligations	Total
2002	\$98,090	\$12,112	\$110,202
2003	78,172	12,112	90,284
2004	72,838	12,112	84,950
2005	62,758	12,112	74,870
2006	58,849	0	58,849
2007-2011	294,244	0	294,244
2012	58,849	0	58,849
Total Minimum Lease Payments	723,800	48,448	772,248
Less: Amount Representing Interest	(196,272)	(6,491)	(202,763)
Present Value of Minimum Lease Payments	<u>\$527,528</u>	<u>\$41,957</u>	<u>\$569,485</u>

NOTE 16 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City for the year ended December 31, 2001, were as follows:

	Principal Outstanding 12/31/00	Additions	Deductions	Principal Outstanding 12/31/01
Enterprise Funds' Obligations:				
OWDA Sylvania Sewer Loan - 2.20%	\$490,988	\$0	\$11,987	\$479,001
OWDA Sewer Improvements Loan - 8.26%	808,104	0	36,960	771,144
OWDA Sewer Digester Loan	0	710,621	0	710,621
Total OWDA Loans	<u>1,299,092</u>	<u>710,621</u>	<u>48,947</u>	<u>1,960,766</u>
General Obligation Bonds:				
Water Sysytem 6.70 - 7.50%	510,000	0	40,000	470,000
Mortgage Revenue Bonds:				
Sewer System - 8.50%	165,000	0	45,000	120,000
Capital Leases	33,162	19,000	10,205	41,957
Total Enterprise Funds' Long-Term Liabilities	<u>2,007,254</u>	<u>729,621</u>	<u>144,152</u>	<u>2,592,723</u>
General Long-Term Obligations:				
Bond Anticipation Note - 3.71%	2,155,000	2,015,000	2,155,000	2,015,000
Capital Leases	539,013	52,669	64,154	527,528
Pension Obligations	0	26,574	0	26,574
Compensated Absences	39,906	44,156	39,778	44,284
Total General Long-Term Obligations	<u>2,733,919</u>	<u>2,138,399</u>	<u>2,258,932</u>	<u>2,613,386</u>
Total Long-Term Obligations	<u>\$4,741,173</u>	<u>\$2,868,020</u>	<u>\$2,403,084</u>	<u>\$5,206,109</u>

The OWDA Sylvania Sewer Loan, the OWDA Sewer Digester Loan, and the OWDA Sewer Improvements Loan were used to help finance the water treatment plant expansion and improvements. The loan activity was reflected in the Sewer Enterprise Fund which received the proceeds and which will repay the debt.

The water system general obligation bonds, the sewer system mortgage revenue bonds, and the water/sewer capital leases will be paid from revenue derived from charges for services in the enterprise funds. Compensated absences reported in the "compensated absences payable" account and pension obligations will be paid from the fund which the employees' salaries are paid. Capital leases reported in the General Long-Term Obligations Account Group will be paid from the General Fund and the Street Levy Special Revenue Fund.

City of Nelsonville, Ohio
Notes to the General Purpose Financial Statements
For the Years Ended December 31, 2001 and 2000

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

The Bond Anticipation Notes are backed by the full faith and credit of the City of Nelsonville and will mature in one year.

Principal and interest requirements to retire bonds outstanding at December 31, 2001, are as follows:

Year Ended December 31,	G. O. Bonds Principal	G. O. Bonds Interest	Revenue Bonds Principal	Revenue Bonds Interest	Total
2002	\$45,000	\$35,107	\$50,000	\$10,200	\$140,307
2003	50,000	31,800	55,000	5,950	142,750
2004	50,000	28,100	15,000	1,275	94,375
2005	55,000	24,375	0	0	79,375
2006	60,000	20,250	0	0	80,250
2007-2009	210,000	32,250	0	0	242,250
	<u>\$470,000</u>	<u>\$171,882</u>	<u>\$120,000</u>	<u>\$17,425</u>	<u>\$779,307</u>

Principal and interest requirements to retire the OWDA Loan liabilities at December 31, 2001, are as follows:

Fiscal Year Ended December 31,	Principal	Interest	Total
2002	\$64,384	\$74,101	\$138,485
2003	68,228	70,257	138,485
2004	72,357	66,128	138,485
2005	76,794	61,691	138,485
2006	81,563	55,000	136,563
2007-2011	492,986	200,000	692,986
2012-2016	342,798	60,000	402,798
2017-2018	51,035	1,000	52,035
	<u>\$1,250,145</u>	<u>\$588,177</u>	<u>\$1,838,322</u>

The OWDA Sewer Digester Loan has not been drawn out as of December 31, 2001, and therefore, no amortization schedule has been established.

As of December 31, 2001, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$3,312,941.

NOTE 17 - INTERFUND TRANSACTIONS

Due from Other Funds and Due to Other Funds at December 31, 2001, consisted of the following:

	Due from Other Funds	Due to Other Funds
General Fund	\$73,600	\$0
Mayor's Court Computer Special Revenue Fund	2,044	0
Mayor's Court Agency Fund	0	75,644
Total	<u>\$75,644</u>	<u>\$75,644</u>

At December 31, 2001 the Baird Trust Special Revenue Fund owed the General Fund \$169 as an interfund payable.

City of Nelsonville, Ohio
Notes to the General Purpose Financial Statements
For the Years Ended December 31, 2001 and 2000

NOTE 17 - INTERFUND TRANSACTIONS (Continued)

Due from Other Funds and Due to Other Funds at December 31, 2000, consisted of the following:

	Due from Other Funds	Due to Other Funds
General Fund	\$49,893	\$0
Mayor's Court Computer Special Revenue Fund	2,600	0
Mayor's Court Agency Fund	0	52,493
Total	\$52,493	\$52,493

NOTE 18 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City's enterprise funds account for the provision of sewer and water services. The tables below reflect, in a summarized format, the more significant financial data relating to the enterprise funds of the City of Nelsonville as of and for the year ended December 31, 2001 and 2000:

December 31, 2001

	Water	Sewer	Total
Operating Revenues	\$852,579	\$669,577	\$1,522,156
Depreciation	33,099	56,454	89,553
Operating Income	186,950	143,108	330,058
Net Non-Operating Revenues (Expenses)	137,360	(74,415)	62,945
Net Income	324,310	68,693	393,003
Additions to Fixed Assets	181,549	558,559	740,108
Current Capital Contributions	121,525	15,324	136,849
Net Working Capital	996,084	132,043	1,128,127
Total Assets	1,749,173	2,026,533	3,775,706
Long-Term Obligations to be Paid from			
Fund Revenues	460,757	1,935,680	2,396,437
Total Equity	1,167,385	(459,616)	707,769
Encumbrances Outstanding at			
December 31, 2001	49,976	486,490	536,466

December 31, 2000

	Water	Sewer	Parking Meter	Total
Operating Revenues	\$941,991	\$659,107		\$1,601,098
Depreciation	39,313	46,725		86,038
Operating Income	286,837	211,733	(12,250)	486,320
Net Non-Operating Revenues (Expenses)	(45,183)	(91,797)		(136,980)
Net Income	241,699	119,936	(12,250)	349,385
Additions to Fixed Assets	50,162	88,484		(136,935)
Current Capital Contributions	28,740	42,094		70,834
Net Working Capital	982,665	307,905		1,290,570
Total Assets	1,470,229	1,043,199		2,513,428
Long-Term Obligations to be Paid from				
Fund Revenues	506,748	1,394,297		1,901,045
Total Equity	843,075	(528,309)		314,766
Encumbrances Outstanding at				
December 31, 2000	43,594	6,987		50,581

City of Nelsonville, Ohio
Notes to the General Purpose Financial Statements
For the Years Ended December 31, 2001 and 2000

NOTE 19 - CONTRACTUAL COMMITMENTS

December 31, 2001

Project	Fund	Contract Amount	Amount Expended	Balance at 12/31/01
Sewer Digestor	Sewer	\$1,018,410	\$751,591	\$266,819
Water Treatment Plant	Water	277,504	245,517	31,987
Total		<u>\$1,295,914</u>	<u>\$997,108</u>	<u>\$298,806</u>

December 31, 2000

Contractor	Contract Amount	Amount Expended	Balance at 12/31/00
Mike Hook Electric	\$12,500	\$9,375	\$3,125
Greenco Construction	14,800	11,916	2,884
Braun and Shield	160,300	156,290	4,010
BBC & M Engineering	7,000	6,153	847
Monk's Heating and Cooling	14,300	7,500	6,800
Whitewater Products	68,236	32,109	36,127
Cody Zeigler	1,668,000	1,171,490	496,510
Total	<u>\$1,945,136</u>	<u>\$1,394,833</u>	<u>\$550,303</u>

NOTE 20 - JOINTLY GOVERNED ORGANIZATION

The Athens County Regional Planning Commission was formed to influence favorably the future economic, physical, and social development of Athens County. Membership is comprised 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 Commissioners. The Commission is not dependent upon the City of Nelsonville for its continued existence. In 2001, the City made no contributions to the Commission.

NOTE 21 - INSURANCE PURCHASING POOL

The City is participating in a group rating plan for worker's compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Rural Water Association Workers' Compensation Group Rating Plan was established through the Ohio Rural Water Association, a non-profit membership organization, as a group purchasing pool.

A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant and performing any other acts and functions which may be delegated to it by the participating employers. The group executive committee is appointed by the Governing Board of the Ohio Rural Water Association.

City of Nelsonville, Ohio
Notes to the General Purpose Financial Statements
For the Years Ended December 31, 2001 and 2000

NOTE 21 - INSURANCE PURCHASING POOL (Continued)

The Board shall consist of eleven voting members as follows: up to nine, but no less than five from public or non-profit water supply districts or companies; not more than two from waste water systems; not more than one from municipalities over 10,000 in population; not more than one from municipalities under 10,000 in population; one who is a manager of a member system; and one who is an associate member, or employee of an associate member. These members are elected for the ensuing year by the participants at the meeting held in April of each year. No participant can have more than one member of the Board of Directors in any year.

NOTE 22 - CONTINGENCIES

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 is 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, 2001.

B. Litigation

The City of Nelsonville is currently party to pending litigation proceedings seeking damages or injunctive relief as confirmed by the City Law Director. The outcome and possible effects on the financial statements cannot be determined at this time.

NOTE 23 – SUBSEQUENT EVENTS

On March 31, 2002, the City reissued bond anticipation notes in the amount of \$1,825,000 to finance the purchase of a new City Hall and the construction of the Nelsonville Aquatic Center. The interest rate for the notes is 4.00% and the maturity date is March 31, 2003.

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**STATE OF OHIO
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the City Council:

We have audited the general purpose financial statements of the City of Nelsonville, Athens County, Ohio (the City), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated July 15, 2002, wherein we noted the City adopted Governmental Accounting Standards Board Statements 33 and 36 for the year ending December 31, 2001. We conducted our audit in accordance with 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.

Compliance

As part of obtaining reasonable assurance about whether the City's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2001-20705-001 through 2001-20705-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated July 15, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated July 15, 2002.

This report is intended solely for the information and use of management and City Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

July 15, 2002

**CITY OF NELSONVILLE
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-30705-001

Noncompliance Citation

Ohio Rev. Code Section 5705.36 allows all subdivisions to request reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be less than the amount in the official certificate of estimated resources. The City must request a reduced amended certificate when actual receipts plus January 1 unencumbered cash will be less than amounts appropriated.

Estimated resources exceeded actual revenue plus unencumbered cash and appropriations were greater than actual revenue plus unencumbered cash at December 31, 2001, as follows:

Fund	Total Estimated Resources	Actual Revenue Plus Unencumbered Cash	Appropriation Authority
Sewer	\$1,761,403	\$1,420,935	\$1,719,508
Baird Trust	\$177,630	\$134,529	\$183,529

Estimated resources exceeded actual revenue plus unencumbered cash and appropriations were greater than actual revenue plus unencumbered cash at December 31, 2000, as follows:

Fund	Total Estimated Resources	Actual Revenue Plus Unencumbered Cash	Appropriation Authority
Community Development	\$ 400,972	\$ 212,387	\$ 400,000
Capital Improvement	\$1,949,898	\$1,236,154	\$1,593,430

This could result more money being appropriated than will actually be available for expenditure.

We recommend the City Auditor monitor estimated and actual revenues for all funds on a regular basis. In the situation where budgeted revenue exceeds actual revenue and appropriations exceed actual revenue, a reduced amended certificate must be obtained and appropriations adjusted accordingly.

**CITY OF NELSONVILLE
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

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

FINDING NUMBER 2001-30705-002

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states that the total appropriation from each fund should not exceed the total estimated revenue. This Section also states that no appropriation measure is to become effective until the County Auditor certifies that total appropriations from each fund do not exceed the total official estimated resources.

Appropriations exceeded estimated resources at December 31, 2001, in the following funds:

Fund	Estimated Resources	Appropriations	Variance
Community Development	\$ 129,163	\$ 141,507	\$ (12,344)

Appropriations exceeded estimated resources at February 28, 2001, in the following fund:

Fund	Estimated Resources	Appropriations	Variance
Community Development	\$ 32,050	\$ 127,113	\$ (95,063)

Appropriations exceeded estimated resources at December 31, 2000, in the following funds:

Fund	Estimated Resources	Appropriations	Variance
Aquatic Center	\$ 1,805,000	\$ 1,972,624	\$ (167,624)
Mayors Court	\$67,842	\$73,495	(\$5,653)

Appropriations exceeded estimated resources at October 31, 2001, in the following fund:

Fund	Estimated Resources	Appropriations	Variance
Aquatic Center	\$ 1,705,000	\$ 1,972,624	\$ (267,624)

These variances were result of the City's failure to obtain the County Auditor's certification that appropriations did not exceed estimated resources and by not monitoring amounts appropriated adequately. This could result in the City committing more financial resources than are available for expenditure.

We recommend the City monitor appropriations to ensure they do not exceed estimated resources and request the County Auditor's certification that appropriations are within estimated resources when such appropriations are adopted.

**CITY OF NELSONVILLE
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

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

FINDING NUMBER 2001-30705-003

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

The following exceptions to this basic requirement are provided by statute:

- ▶ "Then and Now Certificate": This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.
- ▶ Amounts of less than \$1,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

During the audit period, 51% of the expenditures tested did not have the prior certification of the City Auditor, nor was a "then and now" certificate obtained. This could result in the City spending more money than what is available.

We recommend the City obtain the prior certification of the City Auditor before an obligation is incurred.

**CITY OF NELSONVILLE
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1999-20705-001	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.41(D) for not properly certifying the availability of funds.	No	Not Corrected: This issue is repeated in the current audit Schedule of Findings as item 2001-20705-004.
1999-20705-002	A reportable condition was issued for procedures not being in place to ensure that appropriations and estimated resources were properly posted to the computer system.	Yes	N/A



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CITY OF NELSONVILLE

ATHENS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 17, 2002**