



CITY OF NELSONVILLE, OHIO

Regular Audit

For the Year Ended December 31, 2008

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS





Mary Taylor, CPA

Auditor of State

City Council
City of Nelsonville
211 Lake Hope Drive
Nelsonville, Ohio 43764

We have reviewed the *Independent Auditor's Report* of the City of Nelsonville, Athens County, prepared by J.L. Uhrig and Associates, Inc., for the audit period January 1, 2008 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Finding for Recovery

Aileen Lehman served as the City of Nelsonville City Auditor. During 2008, her annual salary was \$18,000; however, a review of payroll records revealed that she was paid \$18,692 in 2008. This resulted in an overpayment of \$692.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Aileen Lehman, in the amount of \$692, and in favor of the General Fund, in the amount of \$236, the Water Fund in the amount of \$228 and the Sewer Fund in the amount of \$228.

On January 25, 2010, the former City Auditor, Aileen Lehman, repaid the City of Nelsonville \$692 by cashier's check.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

April 5, 2010

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CITY OF NELSONVILLE
ATHENS COUNTY, OHIO
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ATHENS COUNTY, OHIO
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Independent Auditor's Report

City of Nelsonville
Athens County
211 Lake Hope Drive
Nelsonville, Ohio 43764

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Nelsonville, Ohio, (the City) as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these 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 of America. 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 financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparisons for the General, Street Levy, Grants, and Aquatic Center Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 17, 2009 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. While we do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. 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 when considering the results of our audit.

Members of Council
City of Nelsonville, Ohio
Independent Auditor's Report

The Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

J.L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

December 17, 2009

City of Nelsonville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

The discussion and analysis of the City of Nelsonville's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2008. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2008 are as follows:

- In total, net assets increased \$973,364. Net assets of governmental activities increased \$752,011, or 5.65 percent from 2007. Net assets of business-type activities increased \$221,353, or 4.24 percent from 2007.
- In total, assets increased \$887,796. Governmental activities increased \$622,583, while the business-type activities assets increased \$265,213.
- Overall, capital assets decreased \$83,809. Total capital assets of governmental activities decreased \$203,923, or 1.86 percent. Capital assets of business-type activities increased \$120,114, or 1.85 percent.
- In total, liabilities decreased \$85,568. Total liabilities of governmental activities decreased \$129,428. Total liabilities of business-type activities increased \$43,860 from 2007.

USING THIS ANNUAL FINANCIAL REPORT

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

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

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

Reporting the City of Nelsonville as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The Statement of Net Assets and Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

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

City of Nelsonville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

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

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

Reporting the City of Nelsonville's Most Significant Funds

Fund Financial Statements

The basic governmental fund financial statements begin on page 14. Fund financial reports provide detailed information about the City's major funds. Based upon restrictions on the use of monies, the City has established many funds which account for the multitude of services provided to our residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Nelsonville, our major funds are the General Fund; the Street Levy, Grants, and Aquatic Center Special Revenue Funds; the Capital Improvements Capital Projects Fund; and the Water, Sewer, and Parking Meter Enterprise Funds.

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

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

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

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

City of Nelsonville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

THE CITY OF NELSONVILLE AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the City as a whole. Table 1 provides a summary of the City's net assets for 2008 compared to 2007.

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Current and Other Assets	\$5,057,109	\$4,230,603	\$1,490,287	\$1,345,188	\$6,547,396	\$5,575,791
Capital Assets, Net	10,757,534	10,961,457	6,625,946	6,505,832	17,383,480	17,467,289
<i>Total Assets</i>	<u>15,814,643</u>	<u>15,192,060</u>	<u>8,116,233</u>	<u>7,851,020</u>	<u>23,930,876</u>	<u>23,043,080</u>
Liabilities						
Current and Other Liabilities	687,267	641,702	402,510	333,837	1,089,777	975,539
Long-Term Liabilities:						
Due within One Year	122,436	102,334	290,794	261,427	413,230	363,761
Due in More than One Year	938,729	1,133,824	1,979,589	2,033,769	2,918,318	3,167,593
<i>Total Liabilities</i>	<u>1,748,432</u>	<u>1,877,860</u>	<u>2,672,893</u>	<u>2,629,033</u>	<u>4,421,325</u>	<u>4,506,893</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	9,697,323	9,721,518	4,384,992	4,247,966	14,082,315	13,969,484
Restricted for:						
Unclaimed Monies	15,762	14,936	0	0	15,762	14,936
Other Purposes	398,570	179,175	0	0	398,570	179,175
Capital Projects	1,097,537	1,122,669	0	0	1,097,537	1,122,669
Streets	433,122	505,861	0	0	433,122	505,861
Parks	317,315	292,920	0	0	317,315	292,920
Unrestricted	2,106,582	1,477,121	1,058,348	974,021	3,164,930	2,451,142
<i>Total Net Assets</i>	<u>\$14,066,211</u>	<u>\$13,314,200</u>	<u>\$5,443,340</u>	<u>\$5,221,987</u>	<u>\$19,509,551</u>	<u>\$18,536,187</u>

Total governmental activities assets increased \$622,583. Cash and cash equivalents increased \$337,113, the result of the City reducing total governmental activities expenditures and increasing total governmental activities receipts from the previous year. Capital assets decreased \$203,923. This decrease in capital assets is due to depreciation expenses that exceeded current year additions. The City's total governmental activities receivables increased \$476,997. This increase in receivables is due to increases in amounts receivable from other governments resulting from both the City's participation in the Community Housing Improvement Program and a large estate tax settlement.

Total governmental activities liabilities decreased \$129,428. Current and other liabilities increased \$45,565. This is the result of increases in contracts and retainage payable due to the City's Adam, Cross, and Love Street Reconstruction and Rehabilitation project. Long-term liabilities decreased \$174,993 as the City made required debt service payments greater than amounts issued for new debt.

Total business-type activities assets increased \$265,213. Cash and cash equivalents decreased \$49,482. Amounts receivable from other governments increased \$213,004, the result of increased grant funding for the City's Adam Street project. Capital assets increased \$120,114, also the result of the City's Adam, Cross, and Love Street project and its corresponding infrastructure additions.

For business-type activities, current and other liabilities increased \$68,673. This is due to increases in accounts and contracts payable offset by reductions in accrued wages and retainage payable. Long-term liabilities decreased \$24,813 as the City made its required debt service payments.

City of Nelsonville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

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

(Table 2)
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
Program Revenues						
Charges for Services	\$198,711	\$196,448	\$2,010,124	\$1,990,461	\$2,208,835	\$2,186,909
Operating Grants, Contributions and Interest	260,444	205,527	4	9	260,448	205,536
Capital Grants and Contributions	487,427	88,131	215,554	12,150	702,981	100,281
<i>Total Program Revenues</i>	<u>946,582</u>	<u>490,106</u>	<u>2,225,682</u>	<u>2,002,620</u>	<u>3,172,264</u>	<u>2,492,726</u>
General Revenues						
Property Taxes	344,907	416,544	0	0	344,907	416,544
Income Taxes	1,579,284	1,616,005	0	0	1,579,284	1,616,005
Hotel/Motel Taxes	14,014	8,149	0	0	14,014	8,149
Grants and Entitlements	476,367	178,824	0	0	476,367	178,824
Interest	180,397	183,392	0	0	180,397	183,392
Other	50,260	34,473	6,295	11,191	56,555	45,664
<i>Total General Revenues</i>	<u>2,645,229</u>	<u>2,437,387</u>	<u>6,295</u>	<u>11,191</u>	<u>2,651,524</u>	<u>2,448,578</u>
Total Revenues	<u>3,591,811</u>	<u>2,927,493</u>	<u>2,231,977</u>	<u>2,013,811</u>	<u>5,823,788</u>	<u>4,941,304</u>
Program Expenses						
General Government	330,272	403,496	0	0	330,272	403,496
Security of Persons and Property:						
Police	700,056	674,306	0	0	700,056	674,306
Fire	416,914	401,007	0	0	416,914	401,007
Transportation	967,273	1,188,471	0	0	967,273	1,188,471
Leisure Time Activities	246,240	253,321	0	0	246,240	253,321
Community Environment	132,934	15,483	0	0	132,934	15,483
Interest and Fiscal Charges	46,111	55,345	0	0	46,111	55,345
Water	0	0	1,001,440	1,092,789	1,001,440	1,092,789
Sewer	0	0	982,576	937,068	982,576	937,068
Parking Meter	0	0	26,608	26,504	26,608	26,504
<i>Total Program Expenses</i>	<u>2,839,800</u>	<u>2,991,429</u>	<u>2,010,624</u>	<u>2,056,361</u>	<u>4,850,424</u>	<u>5,047,790</u>
<i>Increase (Decrease) in Net Assets</i>	<u>752,011</u>	<u>(63,936)</u>	<u>221,353</u>	<u>(42,550)</u>	<u>973,364</u>	<u>(106,486)</u>
<i>Net Assets at Beginning of Year</i>	<u>13,314,200</u>	<u>13,378,136</u>	<u>5,221,987</u>	<u>5,264,537</u>	<u>18,536,187</u>	<u>18,642,673</u>
<i>Net Assets at End of Year</i>	<u>\$14,066,211</u>	<u>\$13,314,200</u>	<u>\$5,443,340</u>	<u>\$5,221,987</u>	<u>\$19,509,551</u>	<u>\$18,536,187</u>

Governmental Activities

Program revenues accounted for 26.35 percent of total revenues for governmental activities in 2008. The amount of program revenues increased \$456,476 from 2007. This increase is due to all of the grant funding for the Adams, Cross, and Love Streets Reconstruction and Rehabilitation project being received and recognized in 2008. Governmental activities services are primarily funded through general revenues, those basically being property taxes, income taxes, and State shared revenues. These revenue sources make up 90.75 percent of general revenues and over 67 percent of total revenues. In total, the City's general revenues increased \$207,842 during 2008, but property tax revenue decreased \$71,637 and income taxes revenue decreased \$36,721. The increase in total revenue is due to an increase in grants and entitlements of \$297,543 resulting from a large estate tax settlement.

City of Nelsonville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

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

Governmental expenses decreased \$151,629. Security of persons and property is a major activity of the City, representing 39.33 percent of the governmental expenses, a 3.87 percent increase from the prior year. During 2008, expenses for police and fire operations amounted to \$700,056 and \$416,914, respectively. Expenses increased \$25,750 in the police department and \$15,907 in the fire department, both of which is attributable to pay increases and the continued increase in the cost fringe benefits. These activities are, for the most part, funded by the municipal income tax. The City attempts to supplement the income and activities of the police department, by applying for additional grant funding, to enable the department to widen the scope of its activity. The fire department and its employees continue to work hand in hand with the City to limit costs to the taxpayer.

Transportation activities of the City accounted for more than 34.06 percent of governmental expenses. This is a decrease of \$221,198. This is due to decreased maintenance expenses, the City contracting out street sweeping operations, and decreases in depreciation expense.

General government, aquatic center, community environment, and interest and fiscal charges account for the remaining 26.61 percent of governmental expenses.

Business-Type Activities

The City's water and sewer operations account for 99 percent of the expenses for the City's business-type activities and are funded almost entirely from charges for services. During 2008, program revenues exceeded program expenses by \$215,058 for all business-type activities.

The City's water and sewer departments continued to operate with reasonable water and sewer rates. The minimum water and sewer rates are \$8.97 and \$10.81, respectively, for the first 1,500 gallons. Water and sewer rates for two surrounding communities are \$9.89 and \$7.57 for water and \$9.62 and \$9.66 for sewer.

THE CITY'S FUNDS

The City's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$3,342,386 and expenditures of \$2,868,881.

The fund balance of the General Fund increased \$538,700. The General Fund's unreserved fund balance of \$1,880,981 represented 132 percent of current year expenditures. Most of this balance remains in the City's treasury.

The fund balance of the Street Levy Special Revenue Fund decreased \$43,184. The Street Levy Fund's unreserved fund balance of \$3,856 represented 1.64 percent of current year expenditures.

The fund balance of the Grants Special Revenue Fund increased \$52,719. The Grant Fund's unreserved fund balance of \$22,773 represented 8.12 percent of current year expenditures.

The fund balance of the Aquatic Center Special Revenue Fund increased \$18,779. The Aquatic Center Fund's unreserved fund balance of \$111,728 represented 36.78 percent of current year expenditures.

The fund balance of the Capital Improvements Capital Projects Fund decreased \$28,131. The Capital Improvement Fund's unreserved fund balance of \$1,006,702 represented 314 percent of current year expenditures.

City of Nelsonville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

The net asset balance of the Water Enterprise Fund increased \$108,309. The Water Fund's unrestricted net assets balance of \$497,100 represented 50.16 percent of current year expenses.

The net asset balance of the Sewer Enterprise Fund increased \$120,251 . The Sewer Fund's unrestricted net assets balance of \$567,229 represented 61.64 percent of current year expenses.

The net asset balance of the Parking Meter Enterprise fund decreased \$7,207 and has an unrestricted fund deficit of \$5,981.

General Fund Budgeting Highlights

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

During the course of 2008, the City amended its General Fund budget several times, none were significant. All recommendations for a budget change came from the City Auditor to the Finance Committee of Council for review before going to the whole Council for Ordinance enactment on the change. The allocation of appropriations among the departments and objects within a fund may be modified during the year by the City Auditor without an ordinance of Council. With the General Fund supporting many of our major activities such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or overspending by individual departments.

For the General Fund, no change was made to the original budgeted revenues. Final budgeted expenditures were increased \$89,263 over the original amount. The City of Nelsonville's ending unencumbered cash balance in the General Fund was \$227,753 above the final budgeted amount, this is due to the City continuing to make every reasonable effort to hold costs down and maximize the returns the City receives for the monies that are spent.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2008, the City had \$10,757,534 in governmental activities, and \$6,625,946 in business-type activities, invested in land, construction in progress, buildings, furniture, fixtures, and equipment, vehicles, and infrastructure. Table 3 shows fiscal year 2008 balances compared to 2007.

City of Nelsonville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

(Table 3)
 Capital Assets at December 31, 2008

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$407,263	\$407,263	\$155,955	\$155,955	\$563,218	\$563,218
Construction in Progress	1,014,610	575,957	540,312	139,838	1,554,922	715,795
Land Improvements	168,529	178,842	5,757	6,109	174,286	184,951
Buildings and Improvements	2,331,029	2,413,914	0	0	2,331,029	2,413,914
Furniture, Fixtures, and Equipment	258,494	264,725	221,393	273,870	479,887	538,595
Vehicles	557,946	593,591	15,444	19,646	573,390	613,237
Infrastructure:						
U.S. and State Roads	4,826,866	5,171,884	0	0	4,826,866	5,171,884
City Streets	912,298	1,044,959	0	0	912,298	1,044,959
Street Signals	280,499	310,322	0	0	280,499	310,322
Water System	0	0	2,375,736	2,451,731	2,375,736	2,451,731
Sewer System	0	0	3,311,349	3,458,683	3,311,349	3,458,683
Totals	\$10,757,534	\$10,961,457	\$6,625,946	\$6,505,832	\$17,383,480	\$17,467,289

The assets of the City are reported at historical cost, net of depreciation. For additional information on capital assets, see Note 9 to the basic financial statements.

Debt

By year end, the City had one bond issue, as well as various loans and capital leases payable at December 31, 2008, totaling \$3,376,283 of which \$384,707 is due within one year. The City's only outstanding bond is for water system improvements. In addition, the City has eight Ohio Water Development Authority Loans outstanding, five for sewer system improvements and expansion, two for water system improvements, and one for street improvements; a Ohio Public Works Commission loan outstanding for street improvements; a bond anticipation note used for the construction of the City's aquatic center; police and fire pensions liabilities, and various leases for vehicles and office equipment.

(Table 4)
 Outstanding Debt at December 31, 2008

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Water Revenue Bonds	\$0	\$0	\$75,000	\$145,000	\$75,000	\$145,000
OWDA Loans	22,146	10,953	2,067,173	2,090,695	2,089,319	2,101,648
OPWC Loans	6,801	0	83,874	0	90,675	0
Bond Anticipation Notes	625,000	750,000	0	0	625,000	750,000
Capital Leases	406,264	478,986	14,907	22,171	421,171	501,157
Police Pension Liability	74,261	75,759	0	0	74,261	75,759
Fire Pension Liability	857	874	0	0	857	874
Totals	\$1,135,329	\$1,316,572	\$2,240,954	\$2,257,866	\$3,376,283	\$3,574,438

The bond anticipation notes are being paid by the Aquatic Center Fund from income tax revenues. The capital leases are being paid from the General, Street Levy, Aquatic Center, Water, and Sewer Funds. The General Fund and the Street Levy Fund portions will be paid from property tax revenues, the Aquatic Center's portion will be paid from income tax revenues, and the Water and Sewer portions will be paid from charges for services.

The City's overall legal debt margin was \$4,163,792 at December 31, 2008. For additional information on the City's debt, see Note 13 to the basic financial statements.

City of Nelsonville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

CURRENT ISSUES

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

CONTACTING THE CITY AUDITOR'S DEPARTMENT

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

City of Nelsonville, Ohio
Statement of Net Assets
December 31, 2008

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$3,534,092	\$982,681	\$4,516,773
Cash and Cash Equivalents with Fiscal Agents	0	223	223
Intergovernmental Receivable	814,766	213,004	1,027,770
Internal Balances	3,862	(3,862)	0
Property Taxes Receivable	373,074	0	373,074
Income Taxes Receivable	295,624	0	295,624
Accounts Receivable	6,072	278,506	284,578
Prepaid Items	29,619	19,735	49,354
Nondepreciable Capital Assets	1,421,873	696,267	2,118,140
Depreciable Capital Assets, Net	9,335,661	5,929,679	15,265,340
<i>Total Assets</i>	<u>15,814,643</u>	<u>8,116,233</u>	<u>23,930,876</u>
Liabilities			
Accounts Payable	40,716	79,076	119,792
Contracts Payable	38,729	166,639	205,368
Accrued Wages Payable	8,355	5,236	13,591
Intergovernmental Payable	94,322	41,762	136,084
Retainage Payable	38,730	1,817	40,547
Deferred Revenue	330,573	0	330,573
Accrued Interest Payable	10,842	34,285	45,127
Notes Payable	125,000	0	125,000
Customer Deposits Payable	0	73,695	73,695
Long-Term Liabilities:			
Due within One Year	122,436	290,794	413,230
Due in More than One Year	938,729	1,979,589	2,918,318
<i>Total Liabilities</i>	<u>1,748,432</u>	<u>2,672,893</u>	<u>4,421,325</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	9,697,323	4,384,992	14,082,315
Restricted for:			
Unclaimed Monies	15,762	0	15,762
Streets	433,122	0	433,122
Parks	317,315	0	317,315
Capital Projects	1,097,537	0	1,097,537
Other Purposes	398,570	0	398,570
Unrestricted	2,106,582	1,058,348	3,164,930
<i>Total Net Assets</i>	<u>\$14,066,211</u>	<u>\$5,443,340</u>	<u>\$19,509,551</u>

See accompanying notes to the basic financial statements

City of Nelsonville, Ohio
Statement of Activities
For the Year Ended December 31, 2008

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities				
General Government	\$330,272	\$16,283	\$0	\$0
Security of Persons and Property:				
Police	700,056	80,321	342	0
Fire	416,914	2,000	0	0
Transportation	967,273	0	224,372	0
Leisure Time Activities	246,240	98,091	23,033	0
Community Environment	132,934	2,016	12,697	487,427
Interest and Fiscal Charges	46,111	0	0	0
<i>Total Governmental Activities</i>	<u>2,839,800</u>	<u>198,711</u>	<u>260,444</u>	<u>487,427</u>
Business-Type Activities				
Water	1,001,440	996,448	4	107,451
Sewer	982,576	994,275	0	108,103
Parking Meter	26,608	19,401	0	0
<i>Total Business-Type Activities</i>	<u>2,010,624</u>	<u>2,010,124</u>	<u>4</u>	<u>215,554</u>
<i>Totals</i>	<u>\$4,850,424</u>	<u>\$2,208,835</u>	<u>\$260,448</u>	<u>\$702,981</u>

General Revenues

- Property Taxes Levied for:
 - General Purposes
 - Street Construction and Maintenance
 - Street Lighting
 - Parks and Recreation
- Income Taxes Levied for:
 - General Purposes
 - Aquatic Center
 - Capital Improvements
- Hotel/Motel Taxes
- Grants and Entitlements not Restricted to Specific Programs
- Interest
- Other

Total General Revenues

Change in Net Assets

Net Assets at Beginning of Year

Net Assets at End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(\$313,989)	\$0	(\$313,989)
(619,393)	0	(619,393)
(414,914)	0	(414,914)
(742,901)	0	(742,901)
(125,116)	0	(125,116)
369,206	0	369,206
(46,111)	0	(46,111)
<u>(1,893,218)</u>	<u>0</u>	<u>(1,893,218)</u>
0	102,463	102,463
0	119,802	119,802
0	(7,207)	(7,207)
<u>0</u>	<u>215,058</u>	<u>215,058</u>
<u>(1,893,218)</u>	<u>215,058</u>	<u>(1,678,160)</u>
150,529	0	150,529
172,051	0	172,051
5,809	0	5,809
16,518	0	16,518
1,083,712	0	1,083,712
224,806	0	224,806
270,766	0	270,766
14,014	0	14,014
476,367	0	476,367
180,397	0	180,397
50,260	6,295	56,555
<u>2,645,229</u>	<u>6,295</u>	<u>2,651,524</u>
752,011	221,353	973,364
<u>13,314,200</u>	<u>5,221,987</u>	<u>18,536,187</u>
<u>\$14,066,211</u>	<u>\$5,443,340</u>	<u>\$19,509,551</u>

City of Nelsonville, Ohio

Balance Sheet

Governmental Funds

December 31, 2008

	General	Street Levy	Grants	Aquatic Center	Capital Improvements
Assets					
Equity in Pooled Cash and Cash Equivalents	\$1,705,985	\$27,157	\$84,683	\$237,857	\$1,045,893
Restricted Assets: Cash and Cash Equivalents	15,762	0	0	0	0
Receivables:					
Property Taxes	175,790	180,175	0	0	0
Income Taxes	177,375	0	0	41,386	76,863
Accounts	5,717	0	0	0	0
Intergovernmental	394,043	12,713	317,000	0	0
Interfund	3,862	0	0	0	0
Prepaid Items	23,459	1,089	0	1,959	0
Total Assets	\$2,501,993	\$221,134	\$401,683	\$281,202	\$1,122,756
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$18,900	\$9,864	\$0	\$3,539	\$0
Contracts Payable	0	0	0	0	25,219
Accrued Wages Payable	6,912	1,443	0	0	0
Intergovernmental Payable	79,146	12,061	0	3,050	0
Retainage Payable	0	0	38,582	0	0
Deferred Revenue	490,641	192,888	317,000	37,879	70,349
Notes Payable	0	0	0	125,000	0
Total Liabilities	595,599	216,256	355,582	169,468	95,568
Fund Balances					
Reserved for Encumbrances	9,651	1,022	23,328	6	20,486
Reserved for Unclaimed Monies	15,762	0	0	0	0
Unreserved, Undesignated, Reported in:					
General Fund	1,880,981	0	0	0	0
Special Revenue Funds	0	3,856	22,773	111,728	0
Capital Projects Fund	0	0	0	0	1,006,702
Total Fund Balances	1,906,394	4,878	46,101	111,734	1,027,188
Total Liabilities and Fund Balances	\$2,501,993	\$221,134	\$401,683	\$281,202	\$1,122,756

See accompanying notes to the basic financial statements

City of Nelsonville, Ohio
*Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
December 31, 2008*

Other Governmental Funds	Total Governmental Funds		
\$416,755	\$3,518,330	Total Governmental Fund Balances \$3,508,514	
0	15,762	Amounts reported for governmental activities in the statement of net assets are different because	
17,109	373,074	Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds. 10,757,534	
0	295,624	Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:	
355	6,072	Property Taxes	42,501
91,010	814,766	Income Taxes	270,571
0	3,862	Intergovernmental Revenues	<u>559,098</u> 872,170
<u>3,112</u>	<u>29,619</u>	Long-term liabilities, accrued interest, and vacation benefits that are not due and payable in the current period and therefore are not reported in the funds:	
<u>\$528,341</u>	<u>\$5,057,109</u>	Police Pension Payable	(74,261)
		Fire Pension Payable	(857)
\$8,413	\$40,716	Notes Payable	(500,000)
13,510	38,729	Loans Payable	(28,947)
0	8,355	Capital Leases Payable	(406,264)
65	94,322	Accrued Interest Payable	(10,842)
148	38,730	Compensated Absences	<u>(50,836)</u> (1,072,007)
93,986	1,202,743	Net Assets of Governmental Activities <u>\$14,066,211</u>	
0	125,000		
<u>116,122</u>	<u>1,548,595</u>		
13,924	68,417		
0	15,762		
0	1,880,981		
398,295	536,652		
0	<u>1,006,702</u>		
<u>412,219</u>	<u>3,508,514</u>		
<u>\$528,341</u>	<u>\$5,057,109</u>		

City of Nelsonville, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2008

	General	Street Levy	Grants	Aquatic Center	Capital Improvements
Revenues					
Property Taxes	\$150,195	\$173,774	\$0	\$0	\$0
Income Taxes	1,078,520	0	0	224,343	267,767
Hotel/Motel Taxes	11,277	0	0	0	0
Intergovernmental	406,140	17,892	333,316	0	0
Charges for Services	6,761	0	0	98,091	0
Fines, Licenses, and Permits	77,177	0	0	0	0
Interest	180,397	0	0	95	0
Gifts and Donations	0	0	0	0	0
Other	50,260	0	0	0	0
<i>Total Revenues</i>	<u>1,960,727</u>	<u>191,666</u>	<u>333,316</u>	<u>322,529</u>	<u>267,767</u>
Expenditures					
Current:					
General Government	319,329	0	0	0	0
Security of Persons and Property:					
Police	711,871	0	0	0	0
Fire	366,635	0	0	0	0
Transportation	0	234,684	0	0	0
Leisure Time Activities	0	0	0	146,671	0
Community Environment	23,048	0	91,325	0	0
Capital Outlay	0	0	189,272	0	196,306
Debt Service:					
Principal Retirement	1,025	160	0	0	96,527
Interest and Fiscal Charges	119	6	0	32,079	28,055
Current Refunding	0	0	0	125,000	0
<i>Total Expenditures</i>	<u>1,422,027</u>	<u>234,850</u>	<u>280,597</u>	<u>303,750</u>	<u>320,888</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>538,700</u>	<u>(43,184)</u>	<u>52,719</u>	<u>18,779</u>	<u>(53,121)</u>
Other Financing Sources (Uses)					
Inception of Capital Lease	0	0	0	0	24,990
Proceeds of OWDA Loans	0	0	0	0	0
Proceeds of OPWC Loans	0	0	0	0	0
Issuance of Bond Anticipation Notes	0	0	0	500,000	0
Current Refunding	0	0	0	(500,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>24,990</u>
<i>Net Change in Fund Balance</i>	<u>538,700</u>	<u>(43,184)</u>	<u>52,719</u>	<u>18,779</u>	<u>(28,131)</u>
<i>Fund Balances (Deficit) at Beginning of Year</i>	<u>1,367,694</u>	<u>48,062</u>	<u>(6,618)</u>	<u>92,955</u>	<u>1,055,319</u>
<i>Fund Balances at End of Year</i>	<u>\$1,906,394</u>	<u>\$4,878</u>	<u>\$46,101</u>	<u>\$111,734</u>	<u>\$1,027,188</u>

See accompanying notes to the basic financial statements

City of Nelsonville, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2008*

Other Governmental Funds	Total Governmental Funds		
		Net Change in Fund Balances - Total Governmental Funds	\$516,663
		Amounts reported for governmental activities in the statement of activities are different because	
\$22,493	\$346,462	Governmental funds report capital outlays as expenditures. However,	
0	1,570,630	in the statement of activities, the cost of those assets is allocated	
0	11,277	over their useful lives as depreciation expense. This is the amount	
182,412	939,760	by which depreciation exceeded capital outlay in the current period:	
8,268	113,120	Capital Assets Additions	532,179
8,414	85,591	Depreciation Expense	<u>(736,102)</u>
10,717	191,209		(203,923)
34,077	34,077	Revenues in the statement of activities that do not provide current	
0	50,260	financial resources are not reported as revenues in the funds:	
<u>266,381</u>	<u>3,342,386</u>	Property Taxes	(1,555)
		Income Taxes	8,654
		Hotel/Motel Taxes	2,737
		Intergovernmental Revenues	<u>239,589</u>
			249,425
0	319,329	Repayments of principal is an expenditure in the governmental funds,	
4,459	716,330	but the repayment reduces long-term liabilities in the statement	
0	366,635	of net assets:	
201,567	436,251	Bond Anticipation Notes Payable	625,000
34,303	180,974	OWDA Loans Payable	174
12,486	126,859	Capital Leases Payable	97,712
53,075	438,653	Police Pension Payable	1,498
		Fire Pension Payable	<u>17</u>
			724,401
174	97,886	In the statement of activities, interest is accrued on outstanding debt,	
705	60,964	whereas in governmental funds, interest is expended when due.	14,853
0	125,000		
<u>306,769</u>	<u>2,868,881</u>	Other financing sources in the governmental funds that increase	
		long-term liabilities in the statement of net assets are not	
		reported:	
(40,388)	473,505	Inception of Capital Leases	(24,990)
		Proceeds of Bond Anticipation Notes	(500,000)
		Proceeds of Loans	<u>(18,168)</u>
			(543,158)
0	24,990	Compensated absences reported in the statement of activities do	
11,193	11,193	not require the use of current financial resources and therefore	
6,975	6,975	are not reported as expenditures in governmental funds.	<u>(6,250)</u>
0	500,000		
0	(500,000)	<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$752,011</u></u>
<u>18,168</u>	<u>43,158</u>		
(22,220)	516,663		
<u>434,439</u>	<u>2,991,851</u>		
<u>\$412,219</u>	<u>\$3,508,514</u>		

City of Nelsonville, Ohio
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2008*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$161,000	\$161,000	\$150,197	(\$10,803)
Income Taxes	990,000	990,000	1,089,333	99,333
Hotel/Motel Taxes	10,000	10,000	11,277	1,277
Intergovernmental	178,400	178,400	178,896	496
Charges for Services	4,100	4,100	5,056	956
Fines, Licenses, and Permits	80,200	80,200	75,755	(4,445)
Interest	160,000	160,000	180,397	20,397
Other	22,500	22,500	51,043	28,543
<i>Total Revenues</i>	<u>1,606,200</u>	<u>1,606,200</u>	<u>1,741,954</u>	<u>135,754</u>
Expenditures				
Current:				
General Government	364,096	424,259	324,425	99,834
Security of Persons and Property:				
Police	714,048	731,928	736,355	(4,427)
Fire	366,439	376,274	377,227	(953)
Public Health Services	0	0	0	0
Community Environment	22,931	24,105	23,048	1,057
Leisure Time Activities	49	100	0	100
Debt Service:				
Principal Retirements	1,106	1,249	1,025	224
Interest and Fiscal Charges	128	145	119	26
<i>Total Expenditures</i>	<u>1,468,797</u>	<u>1,558,060</u>	<u>1,462,199</u>	<u>95,861</u>
<i>Excess of Revenues Over Expenditures</i>	137,403	48,140	279,755	231,615
Other Financing Uses				
Advances Out	0	0	(3,862)	(3,862)
<i>Net Change in Fund Balance</i>	137,403	48,140	275,893	227,753
<i>Fund Balance at Beginning of Year</i>	1,416,027	1,416,027	1,416,027	0
Prior Year Encumbrances Appropriated	20,811	20,811	20,811	0
<i>Fund Balance at End of Year</i>	<u>\$1,574,241</u>	<u>\$1,484,978</u>	<u>\$1,712,731</u>	<u>\$227,753</u>

See accompanying notes to the basic financial statements

City of Nelsonville, Ohio
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Street Levy Fund
For the Year Ended December 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$196,000	\$196,000	\$173,774	(\$22,226)
Intergovernmental	14,000	14,000	17,892	3,892
<i>Total Revenues</i>	<u>210,000</u>	<u>210,000</u>	<u>191,666</u>	<u>(18,334)</u>
Expenditures				
Current:				
Transportation	203,101	235,408	238,027	(2,619)
Debt Service:				
Principal Retirements	138	162	160	2
Interest and Fiscal Charges	6	7	6	1
<i>Total Expenditures</i>	<u>203,245</u>	<u>235,577</u>	<u>238,193</u>	<u>(2,616)</u>
<i>Excess of Revenues Under Expenditures</i>	6,755	(25,577)	(46,527)	(15,718)
<i>Fund Balance at Beginning of Year</i>	66,848	66,848	66,848	0
Prior Year Encumbrances Appropriated	<u>4,589</u>	<u>4,589</u>	<u>4,589</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$78,192</u>	<u>\$45,860</u>	<u>\$24,910</u>	<u>(\$15,718)</u>

See accompanying notes to the basic financial statements

City of Nelsonville, Ohio
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Grants Fund
For the Year Ended December 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$425,000	\$425,000	\$333,316	(\$91,684)
Expenditures				
Current:				
Community Environment	0	777	570	207
Capital Outlay	0	404,245	276,386	127,859
<i>Total Expenditures</i>	0	405,022	276,956	128,066
<i>Excess of Revenues Over Expenditures</i>	425,000	19,978	56,360	36,382
<i>Fund Balance (Deficit) at Beginning of Year</i>	(300,909)	(300,909)	(300,909)	0
Prior Year Encumbrances Appropriated	305,994	305,994	305,994	0
<i>Fund Balance at End of Year</i>	\$430,085	\$25,063	\$61,445	\$36,382

See accompanying notes to the basic financial statements

City of Nelsonville, Ohio
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Aquatic Center Fund
For the Year Ended December 31, 2008*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Income Taxes	\$215,000	\$215,000	\$226,990	\$11,990
Charges for Services	102,000	102,000	98,090	(3,910)
Interest	0	0	95	95
<i>Total Revenues</i>	<u>317,000</u>	<u>317,000</u>	<u>325,175</u>	<u>8,175</u>
Expenditures				
Current:				
Leisure Time Activities	169,150	169,150	144,674	24,476
Debt Service:				
Principal Retirement	0	750,180	750,000	180
Interest and Fiscal Charges	0	32,100	32,079	21
<i>Total Expenditures</i>	<u>169,150</u>	<u>951,430</u>	<u>926,753</u>	<u>24,677</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	147,850	(634,430)	(601,578)	32,852
Other Financing Sources				
Proceeds of Bond Anticipation Notes	583,411	750,000	625,000	(125,000)
<i>Net Change in Fund Balance</i>	731,261	115,570	23,422	(92,148)
<i>Fund Balance at Beginning of Year</i>	214,416	214,416	214,416	0
Prior Year Encumbrance Appropriated	13	13	13	0
<i>Fund Balance at End of Year</i>	<u>\$945,690</u>	<u>\$329,999</u>	<u>\$237,851</u>	<u>(\$92,148)</u>

See accompanying notes to the basic financial statements

City of Nelsonville, Ohio
Statement of Fund Net Assets
Enterprise Funds
December 31, 2008

	Water	Sewer	Parking Meter	Total Enterprise Funds
Assets				
Current :				
Equity in Pooled Cash and Cash Equivalents	\$427,200	\$481,786	\$0	\$908,986
Restricted Assets:				
Customer Deposits	44,217	29,478	0	73,695
Cash and Cash Equivalents with Fiscal Agents	223	0	0	223
Accounts Receivable	134,584	143,516	406	278,506
Intergovernmental Receivable	105,351	107,653		213,004
Prepaid Items	13,501	6,234	0	19,735
<i>Total Current Assets</i>	<u>725,076</u>	<u>768,667</u>	<u>406</u>	<u>1,494,149</u>
Noncurrent:				
Nondepreciable Capital Assets	303,783	392,484	0	696,267
Depreciable Capital Assets, Net	2,473,867	3,455,022	790	5,929,679
<i>Total Noncurrent Assets</i>	<u>2,777,650</u>	<u>3,847,506</u>	<u>790</u>	<u>6,625,946</u>
<i>Total Assets</i>	<u>3,502,726</u>	<u>4,616,173</u>	<u>1,196</u>	<u>8,120,095</u>
Liabilities				
Current:				
Accounts Payable	50,004	29,041	31	79,076
Contracts Payable	82,428	84,211	0	166,639
Retainage Payable	899	918	0	1,817
Accrued Wages Payable	2,823	2,088	325	5,236
Accrued Interest Payable	3,320	30,742	0	34,062
Intergovernmental Payable	22,330	18,086	1,346	41,762
Interfund Payable	0	0	3,862	3,862
General Obligation Bonds Payable	75,000	0	0	75,000
OWDA Loans Payable	23,460	168,420	0	191,880
OPWC Loans Payable	1,064	1,087	0	2,151
Capital Leases Payable	3,639	3,640	0	7,279
Compensated Absences Payable	10,112	4,372	0	14,484
Accrued Interest Payable from Restricted Assets	223	0	0	223
<i>Total Current Liabilities</i>	<u>275,302</u>	<u>342,605</u>	<u>5,564</u>	<u>623,471</u>
Long-Term:				
OWDA Loans Payable	315,844	1,559,449	0	1,875,293
OPWC Loans Payable	40,419	41,304	0	81,723
Capital Leases Payable	3,814	3,814	0	7,628
Compensated Absences Payable	11,619	2,503	823	14,945
Customer Deposits Payable	44,217	29,478	0	73,695
<i>Total Long-Term Liabilities</i>	<u>415,913</u>	<u>1,636,548</u>	<u>823</u>	<u>2,053,284</u>
<i>Total Liabilities</i>	<u>691,215</u>	<u>1,979,153</u>	<u>6,387</u>	<u>2,676,755</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	2,314,411	2,069,791	790	4,384,992
Unrestricted (Deficit)	497,100	567,229	(5,981)	1,058,348
<i>Total Net Assets (Deficit)</i>	<u>\$2,811,511</u>	<u>\$2,637,020</u>	<u>(\$5,191)</u>	<u>\$5,443,340</u>

See accompanying notes to the basic financial statements

City of Nelsonville, Ohio
*Statement of Revenues, Expenses
and Changes in Fund Net Assets
Enterprise Funds
For the Year December 31, 2008*

	Water	Sewer	Parking Meter	Total Enterprise Funds
Operating Revenues				
Charges for Services	\$996,448	\$994,275	\$19,401	\$2,010,124
Other Operating Revenues	5,846	449	0	6,295
<i>Total Operating Revenues</i>	<u>1,002,294</u>	<u>994,724</u>	<u>19,401</u>	<u>2,016,419</u>
Operating Expenses				
Salaries and Wages	303,498	259,522	17,572	580,592
Fringe Benefits	178,530	108,278	5,008	291,816
Contractual Services	177,498	213,732	0	391,230
Materials and Supplies	220,641	125,419	3,940	350,000
Depreciation	110,772	213,239	88	324,099
<i>Total Operating Expenses</i>	<u>990,939</u>	<u>920,190</u>	<u>26,608</u>	<u>1,937,737</u>
<i>Operating Income (Loss)</i>	<u>11,355</u>	<u>74,534</u>	<u>(7,207)</u>	<u>78,682</u>
Non-Operating Revenues (Expenses)				
Interest Income	4	0	0	4
Interest and Fiscal Charges	(10,501)	(62,386)	0	(72,887)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(10,497)</u>	<u>(62,386)</u>	<u>0</u>	<u>(72,883)</u>
<i>Income (Loss) before Contributions</i>	858	12,148	(7,207)	5,799
Capital Contributions	107,451	108,103	0	215,554
<i>Change in Net Assets</i>	108,309	120,251	(7,207)	221,353
<i>Net Assets at Beginning of Year</i>	<u>2,703,202</u>	<u>2,516,769</u>	<u>2,016</u>	<u>5,221,987</u>
<i>Net Assets (Deficit) at End of Year</i>	<u><u>\$2,811,511</u></u>	<u><u>\$2,637,020</u></u>	<u><u>(\$5,191)</u></u>	<u><u>\$5,443,340</u></u>

See accompanying notes to the basic financial statements

City of Nelsonville, Ohio
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2008

	Water	Sewer	Parking Meter	Total Enterprise Funds
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities:				
Cash Received from Customers	\$1,006,167	\$999,370	\$19,114	\$2,024,651
Cash Payments for Employee Services and Benefits	(497,111)	(379,209)	(22,696)	(899,016)
Cash Payments to Suppliers for Goods and Services	(369,227)	(331,007)	(4,116)	(704,350)
Other Operating Revenues	5,846	449	0	6,295
Other Operating Expenses	0	0	0	0
Customer Deposits Received	8,430	5,620	0	14,050
Customer Deposits Returned	(8,393)	(5,596)	0	(13,989)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>145,712</u>	<u>289,627</u>	<u>(7,698)</u>	<u>427,641</u>
Cash Flows from Non-Capital Financing Activities:				
Advances In	0	0	3,862	3,862
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	(208,445)	(181,757)	(878)	(391,080)
Proceeds from OWDA Loans	68,280	69,773	0	138,053
Proceeds from OPWC Loans	42,547	43,478	0	86,025
Principal Paid on Debt	(82,965)	(150,761)	0	(233,726)
Interest Paid on Debt	(9,794)	(64,693)	0	(74,487)
Principal Paid on Capital Leases	(3,632)	(3,632)	0	(7,264)
Interest Paid on Capital Leases	(530)	(530)	0	(1,060)
Capital Contributions	2,100	450	0	2,550
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(192,439)</u>	<u>(287,672)</u>	<u>(878)</u>	<u>(480,989)</u>
Cash Flows from Investing Activities:				
Interest on Investments	4	0	0	4
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(46,723)	1,955	(4,714)	(49,482)
<i>Cash and Cash Equivalents at Beginning of Year</i>	518,363	509,309	4,714	1,032,386
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$471,640</u>	<u>\$511,264</u>	<u>\$0</u>	<u>\$982,904</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
<i>Operating Income (Loss)</i>	\$11,355	\$74,534	(\$7,207)	\$78,682
<i>Adjustments:</i>				
Depreciation	110,773	213,239	88	324,100
(Increase) Decrease in Assets:				
Accounts Receivable	9,719	5,095	(287)	14,527
Prepays Items	(443)	460	16	33
Increase (Decrease) in Liabilities:				
Accounts Payable	29,160	7,594	(192)	36,562
Accrued Wages Payable	(10,272)	(6,406)	(301)	(16,979)
Compensated Absences Payable	(3,755)	(4,421)	(90)	(8,266)
Customer Deposits	101	64	0	165
Intergovernmental Payable	(926)	(532)	275	(1,183)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$145,712</u>	<u>\$289,627</u>	<u>(\$7,698)</u>	<u>\$427,641</u>

See accompanying notes to the basic financial statements

City of Nelsonville, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Fund
December 31, 2008

Assets

Cash and Cash Equivalents in Segregated Accounts	<u>\$1,125</u>
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Liabilities

Intergovernmental Payable	\$816
Undistributed Monies	<u>309</u>

<i>Total Liabilities</i>	<u>\$1,125</u>
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See accompanying notes to the basic financial statements

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 1 – Description of City and Reporting Entity

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

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

Reporting Entity

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

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

The City participates in the Athens County Regional Planning Commission, defined as a jointly governed organization, and the Ohio Rural Water Association Workers’ Compensation Group Rating Plan, which is defined as an insurance purchasing pool. These organizations are presented in Notes 15 and 16 to the Basic Financial Statements.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the City of Nelsonville have been prepared in conformity to generally accepted accounting principles (GAAP) as applied to local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise funds unless those pronouncements conflict with or contradict GASB pronouncements. The City has elected not to apply FASB statements and interpretations issued after November 30, 1989, to its business-type activities and enterprise funds. The more significant of the City’s accounting policies are described below.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type.

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

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

B. Fund Accounting

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

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

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

Street Levy Fund The Street Levy Fund is used to account for that portion of the State gasoline tax and motor vehicle registration fees designated for maintenance of streets within the City.

Grants Fund The Grants Fund is used to account for grant monies received for various projects and infrastructure improvements and certain expenditures required for compliance with the grant program.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Aquatic Center Fund The Aquatic Center Fund accounts for all activity related to the City's pool.

Capital Improvements Fund The Capital Improvements Fund is 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).

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

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

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

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

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

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

C. Measurement Focus

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

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

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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

D. Basis of Accounting

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

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). 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 specific purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Revenue Deferred revenues arise 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, 2008, but which were levied to finance year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements were met have also been recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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

E. Budgetary Process

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

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

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

F. Cash and Cash Equivalents

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

During 2008, investments were limited to nonnegotiable certificates of deposit, which are reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest is credited to the General Fund and the Street Construction and Maintenance, State Highway, and Permissive Tax Special Revenue Funds. Interest revenue credited to the General Fund during 2008 amounted to \$180,397, which includes \$111,376 assigned from other City funds.

The City utilizes a trustee bank to service the Water Fund's general obligation bonds as principal and interest payments come due. The balance in this account is presented as "Cash and Cash Equivalents with Fiscal Agents".

The City has a segregated bank account for monies held separate from the City's central bank account. This depository account is presented as "Cash and Cash Equivalents in Segregated Accounts" since it is not presented in the City's treasury. The cash of the Mayor's Court Agency Fund is included in this line item.

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

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2008, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

H. Restricted Assets

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

I. Capital Assets

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

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

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

Land Improvements	15 - 50 Years
Buildings and Improvements	40 - 50 Years
Furniture, Fixtures, and Equipment	5 - 15 Years
Vehicles	5 - 15 Years
Infrastructure	15 - 40 Years

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

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

J. Compensated Absences

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

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

K. Contributions of Capital

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

L. Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Fund balance reserves have been established for encumbrances and unclaimed monies. By statute, unclaimed monies are not available for appropriation until they have remained unclaimed for five years.

M. Interfund Activity

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

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

N. Accrued Liabilities and Long-Term Liabilities

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

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

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

O. Estimates

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

P. Net Assets

Net assets represent the difference between net assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the constitutional provisions or through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include activities related to the Mayor's Court, the City's law enforcement, and unspent grant proceeds. The government wide statement of net assets reports \$2,262,306 of restricted net assets, none of which is restricted by enabling legislation.

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

Q. Operating Revenues and Expenses

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

R. Extraordinary and Special Items

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

Note 3 – Accountability and Compliance

A. Fund Deficit

The Parking Meter Enterprise Fund had deficit unrestricted net assets of \$5,191 as of December 31, 2008. This deficit resulted from the recognition of payables recorded 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.

B. Statutory Compliance

The Street Levy Special Revenue Fund had expenditures which exceeded appropriations for the year ended December 31, 2008, by \$2,616.

The City will more closely monitor budgetary procedures pertaining to violations of this nature in the future.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 4 – Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

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

	Net Change in Fund Balance			
	General	Street Levy	Grants	Aquatic Center
GAAP Basis	\$538,700	(\$43,184)	\$52,719	\$18,779
Revenue Accruals	(218,773)	0	0	2,646
Expenditure Accruals	(19,954)	(716)	26,879	2,592
Beginning of Year Prepaid Items	12,257	709	0	1,370
End of Year Prepaid Items	(23,459)	(1,089)	0	(1,959)
Advances Out	(3,862)	0		0
Encumbrances	(9,016)	(2,247)	(23,238)	(6)
Budget Basis	<u>\$275,893</u>	<u>(\$46,527)</u>	<u>\$56,360</u>	<u>\$23,422</u>

Note 5 – Deposits and Investments

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or 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;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio); and,
8. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time.

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Historically, the City has not purchased these types of investments or issued these types of notes. An investment must mature within five years from the date of purchase unless matched to a specific obligation 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. Payments for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or,

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

if the securities are not represented by a certificate, upon receipts of confirmation of transfer from the custodian.

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying amount of the City's deposits was \$4,518,121 and the bank balance was \$4,676,683. Of the bank balance, \$1,710,168 was covered by Federal depository insurance and \$2,966,515 was exposed to custodial credit risk because it was uninsured and collateralized with securities held in single financial institution collateral pools in the name of the respective depository bank and pledged as a pool of collateral against all public money it holds.

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

Note 6 – Receivables

Receivables at December 31, 2008, consisted primarily of municipal income taxes, property taxes, accounts (billings for user fees including unbilled utility services), and intergovernmental receivables arising from entitlements and shared revenues.

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

A. Property Taxes

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 2008 for real and public utility property taxes represent collections of 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) are for 2008 taxes.

2008 real property taxes are levied after October 1, 2008, on assessed value as of January 1, 2008, the lien date. Assessed values are established by State law at thirty-five percent of the appraised market value. 2008 real property taxes are collected in and intended to finance 2009.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2008 public utility property taxes became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2009 real property taxes.

2008 tangible personal property taxes are levied after October 1, 2007, on the value as of December 31, 2007. Collections are made in 2008. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009.

The full tax rate for all City operations for the year ended December 31, 2008, was \$9.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

City of Nelsonville, Ohio
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For the Year Ended December 31, 2008

Real Property	\$47,146,870
Public Utility Tangible Personal Property	<u>2,605,540</u>
Total Assessed Value	<u><u>\$49,752,410</u></u>

Real property taxes are payable annually and 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.

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 at September 20.

The Athens County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of Nelsonville. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2008, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since current taxes were not levied to finance 2008 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, delinquent collectible property taxes have been recorded as revenue, while the remainder of the receivable has been deferred.

B. Income Taxes

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

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

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

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

C. Intergovernmental Receivables

A summary of intergovernmental receivables follows:

	Amounts
Governmental Activities:	
Local Government	\$70,067
Kilowatt Per Hour	3,601
Homestead and Rollback	23,805
Gasoline Tax	56,770
Motor Vehicle License Tax	11,543
Permissive Motor Vehicle License Tax	1,532
Estate Tax	303,666
Community Housing Improvement Program	317,000
Ohio Public Works Commission	17,271
Miscellaneous	9,511
	814,766
Business-Type Activities:	
Ohio Public Works Commission	213,004
	\$1,027,770

Note 7- 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 Guardian.

The City provides comprehensive major medical insurance through Anthem Blue Cross and Blue Shield. Monthly premiums are \$433.10 for single coverage and \$1,336.98 for family coverage. Vision insurance is provided through the Vision Service Plan, Inc. The premiums are \$11.88 for single coverage and \$32.51 for family coverage. Dental insurance is provided through the Guardian Insurance Plans. The premiums are \$29.40 for single coverage and \$109.36 for family coverage. The City pays 100% for the premiums for both single and family plans for vision insurance and 80% of the premiums for both single and family plans for all other insurance offered.

B. Compensated Absences

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

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 8- Risk Management

A. Property and Liability

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City contracts with HCC Insurance Company, 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	\$13,012,715
General Liability:		
Each Occurrence	10,000	1,000,000
Aggregate Limit	10,000	3,000,000
Employee Benefits:		
Each Occurrence	1,000	1,000,000
Aggregate Limit	1,000	3,000,000
Inland Marine	500	681,356
Wrongful Acts Liability:		
Each Occurrence	10,000	1,000,000
Aggregate Limit	10,000	1,000,000
Vehicles:		
Comprehensive	0	1,000,000
Collision	0	1,000,000
Employee Dishonesty		
Police Professional:		
Each Occurrence	10,000	1,000,000
Aggregate Limit	10,000	1,000,000
Umbrella Coverage:		
Each Occurrence	10,000	4,000,000
Aggregate Limit	10,000	4,000,000

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

B. Workers' Compensation

For 2008, the City participated in the Ohio Rural Water Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool (see Note 16). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating entities is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. The savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Each year the City pays an enrollment fee to the Plan to cover the costs of administering the program.

The City may withdraw from the Plan if written notice is provided sixty days prior to the prescribed application deadline of the Ohio 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.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 9 – Capital Assets

Capital asset activity for the year ended December 31, 2008, was as follows:

	Balance at 12/31/07	Additions	Deductions	Balance at 12/31/08
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$407,263	\$0	\$0	\$407,263
Construction in Progress	575,957	438,653	0	1,014,610
Total Capital Assets not being Depreciated	983,220	438,653	0	1,421,873
Depreciable Capital Assets:				
Land Improvements	233,134	0	0	233,134
Buildings and Improvements	3,014,545	0	0	3,014,545
Furniture, Fixtures, and Equipment	884,727	26,004	76,906	833,825
Vehicles	1,415,567	42,568	137,704	1,320,431
U.S. and State Roads	7,203,622	0	0	7,203,622
City Streets	4,929,650	24,954	0	4,954,604
Street Signals	683,618	0	0	683,618
Total Depreciable Capital Assets	18,364,863	93,526	214,610	18,243,779
Less Accumulated Depreciation:				
Land Improvements	54,292	10,313	0	64,605
Buildings and Improvements	619,747	63,769	0	683,516
Furniture, Fixtures, and Equipment	600,886	51,351	76,906	575,331
Vehicles	821,976	78,213	137,704	762,485
U.S. and State Roads	2,031,738	345,018	0	2,376,756
City Streets	3,884,691	157,615	0	4,042,306
Street Signals	373,296	29,823	0	403,119
Total Accumulated Depreciation	8,386,626	736,102 *	214,610	8,908,118
Total Capital Assets being Depreciated, Net	9,978,237	(642,576)	0	9,335,661
Governmental Activities Capital Assets, Net	\$10,961,457	(\$203,923)	\$0	\$10,757,534

*Depreciation expense was charged to governmental programs as follows:

General Governemnt	\$11,780
Security of Persons and Property:	
Police	26,142
Fire	71,164
Transportation	555,675
Leisure Time Activities	65,266
Community Environment	6,075
Total Depreciation Expenses	\$736,102

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

	Balance at 12/31/07	Additions	Deductions	Balance at 12/31/08
Business-Type Activities:				
Capital Assets not being Depreciated				
Land	\$155,955	\$0	\$0	\$155,955
Construction in Progress	139,838	400,474	0	540,312
Total Capital Assets not being Depreciated	295,793	400,474	0	696,267
Depreciable Capital Assets:				
Land Improvements	24,752	0	0	24,752
Furniture, Fixtures, and Equipment	1,090,691	4,303	0	1,094,994
Vehicles	154,335	0	9,999	144,336
Infrastructure	10,001,474	39,436	0	10,040,910
Total Capital Assets being Depreciated	11,271,252	43,739	9,999	11,304,992
Less Accumulated Depreciation:				
Land Improvements	18,642	353	0	18,995
Furniture, Fixtures, and Equipment	816,821	56,780	0	873,601
Vehicles	134,689	4,202	9,999	128,892
Infrastructure	4,091,060	262,765	0	4,353,825
Total Accumulated Depreciation	5,061,212	324,100	9,999	5,375,313
Total Capital Assets being Depreciated, Net	6,210,040	(280,361)	0	5,929,679
Business-Type Activities Capital Assets, Net	\$6,505,833	\$120,113	\$0	\$6,625,946

Note 10 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

Plan Description – The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2008, members in state and local classifications contributed 10.0 percent of covered payroll, public safety members and law enforcement members contributed 10.1 percent.

The City's contribution rate for 2008 was 14.0 percent of covered payroll. Ohio Revised Code provides statutory authority for member and employer contributions.

City of Nelsonville, Ohio
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The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006, were \$85,395, \$76,385 and \$90,515, respectively; 89.32 percent has been contributed for 2008 and 100 percent for 2007 and 2006. No contributions to the member directed plan for 2008 were made by the City or by plan members.

B. Ohio Police and Fire Pension Fund

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. 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 are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers and 24 percent for firefighters. Contribution rates are established by State statute. For 2008, a portion of the City's contribution equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. The City's pension contributions to OP&F for police and firefighters were \$39,053 and \$26,778 for the year ended December 31, 2008, \$28,966 and \$28,820 for the year ended December 31, 2007, and \$27,796 and \$15,854 for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 69.61 percent has been contributed for police and 66.71 percent has been contributed for firefighters for 2008.

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2008, the unfunded police and firefighters liability of the City was \$74,261 and \$857, respectively, payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary.

Note 11 - Postemployment Benefits

A. Ohio Public Employees Retirement System

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

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

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

City of Nelsonville, Ohio
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For the Year Ended December 31, 2008

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, local government employers contributed 14.0 percent of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. For 2008, the amount of the employer contributions which was allocated to fund post-employment health care was 7.0 percent of covered payroll.

The retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006, were \$59,185, \$50,313 and \$44,274, respectively; 89.32 percent has been contributed for 2008 and 100 percent for 2007 and 2006.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

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

OP&F provides access to post-retirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit or is a spouse or eligible dependent child of such person.

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding policy – OP&F's post-employment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50 percent and 24.0 percent of covered payroll for police and fire employers, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2008, the employer contribution allocated to the healthcare plan was 6.75% of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

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

City of Nelsonville, Ohio
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For the Year Ended December 31, 2008

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$20,675 and \$10,478 for the year ended December 31, 2008, \$15,335 and \$11,277 for the year ended December 31, 2007, and \$18,333 and \$7,561 for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 69.61 percent has been contributed for police and 66.71 percent has been contributed for firefighters for 2008.

Note 12 – Capital Leases – Lessee Disclosure

During 2008, the City entered into one new lease for the purchase of a police cruiser. In prior years, the City had entered into several capital leases for the purchase of vehicles, heavy equipment, and office equipment.

The leases meet the criteria of a capital lease 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 basic financial statements. These expenditures are reflected as program expenditures on a budgetary basis.

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Machinery and Equipment	\$26,423	\$42,585
Vehicles	883,816	0
Less: Accumulated Depreciation	(384,577)	(11,568)
Total	<u>\$525,662</u>	<u>\$31,017</u>

The following is a schedule of the future minimum lease payments required under the capital lease agreements and the present value of the minimum lease payments as of December 31, 2008:

Year Ending December 31,	Governmental Activities	Business-Type Activities
2009	\$125,074	\$7,994
2010	106,830	7,994
2011	93,769	0
2012	71,766	0
2013	18,702	0
2014 - 2016	<u>56,105</u>	<u>0</u>
Total Minimum Lease Payments	472,246	15,988
Less: Amount Representing Interest	(65,982)	(1,081)
Present Value of Minimum Lease Payments	<u>\$406,264</u>	<u>\$14,907</u>

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 13 – Long Term Obligations

A schedule of changes in long-term obligations of the City during 2008 follows:

	Principal Outstanding 12/31/07	Adds	Deletes	Principal Outstanding 12/31/08	Amounts Due in One Year
Business-Type Activities:					
OWDA Loans:					
1989 Sewer Improvements Loan - 8.26%	\$475,678	\$0	\$64,419	\$411,259	\$69,740
1998 Sylvania Avenue Sewer Loan - 2.20%	324,450	0	27,789	296,661	28,404
2002 Sewer Digestor Loan - 2.20%	705,189	0	43,524	661,665	44,486
2002 State Route 33 Sewer Improvements Loan - 2.00%	231,602	0	13,942	217,660	14,222
2007 Adams Street Sewer Improvements Loan - 2.00%	70,851	69,773	0	140,624	11,568
2002 Water Improvements Loan - 2.00%	213,938	0	11,901	202,037	12,140
2007 Adams Street Water Improvements Loan - 2.00%	68,987	68,280	0	137,267	11,320
Total OWDA Loans	2,090,695	138,053	161,575	2,067,173	191,880
OPWC Loans:					
2008 OPWC Adams Street Sewer Improvements Loan - 0%	0	43,478	1,087	42,391	1,087
2008 OPWC Adams Street Water Improvements Loan - 0%	0	42,547	1,064	41,483	1,064
Total OPWC Loans	0	86,025	2,151	83,874	2,151
1989 Water System Revenue Bonds - 6.70 - 7.50%	145,000	0	70,000	75,000	75,000
Capital Leases	22,171	0	7,264	14,907	7,279
Compensated Absences	37,330	5,084	12,985	29,429	14,484
Total Business-Type Activities:	\$2,295,196	\$229,162	\$253,975	\$2,270,383	\$290,794
Governmental Activities:					
2007 Aquatic Center Bond Anticipation Note - 4.10%	\$625,000	\$0	\$625,000	\$0	\$0
2008 Aquatic Center Bond Anticipation Note - 2.05%	0	500,000	0	500,000	0
2007 OWDA Adams Street Improvements Loan - 2.00%	10,953	11,193	0	22,146	1,857
2008 OPWC Adams Street Improvements Loan - 0%	0	6,975	174	6,801	2,499
Capital Leases	478,986	24,990	97,712	406,264	102,461
Police and Fire Pension Liability	76,633	0	1,515	75,118	1,580
Compensated Absences	44,586	10,493	4,243	50,836	14,039
Total Governmental Activities:	\$1,236,158	\$553,651	\$728,644	\$1,061,165	\$122,436

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

The 1989 OWDA Sewer Improvements Loan, originally obtained for \$1,078,837; the 1998 OWDA Sylvania Avenue Sewer Loan, originally obtained for \$479,200; and the 2002 OWDA Sewer Digester Loan, originally obtained for \$947,127, represent amounts borrowed for the purpose of improving the sewer system and will be repaid through Sewer Enterprise Fund revenue.

Principal and interest requirements to retire the Sewer Improvements, Sylvania Avenue, and Sewer Digester OWDA Loan liabilities at December 31, 2008, are as follows:

Year Ended December 31,	Principal	Interest	Total
2009	\$142,630	\$54,654	\$197,284
2010	150,002	47,282	197,284
2011	157,887	39,397	197,284
2012	166,322	30,961	197,283
2013	175,353	21,931	197,284
2014 - 2018	407,588	42,899	450,487
2019 - 2021	169,803	6,597	176,400
	<u>\$1,369,585</u>	<u>\$243,721</u>	<u>\$1,613,306</u>

The 2002 OWDA Route 33 Sewer Improvements Loan, authorized in the amount of \$310,000, was used to finance the sewer treatment plant expansion and improvements. The loan activity is reflected in the Sewer Enterprise Fund which received the proceeds and will repay the debt. Though the loan has been fully drawn down, it has not been finalized as of December 31, 2008; therefore, an amortization schedule has not been established.

The 2007 OWDA Adams Street Sewer Improvement Loan, authorized in the amount of \$282,023, is being used to finance sewer line extension and improvements. The loan activity is reflected in the Sewer Enterprise Fund which received the proceeds and will repay the debt. The loan has not been fully drawn down and no amortization schedule has been established.

The 2008 OPWC Adams Street Sewer Improvement Loan, authorized in the amount of \$189,065, is being used to finance sewer line extension and improvements. The loan activity is reflected in the Sewer Enterprise Fund which received the proceeds and will repay the debt. The loan has not been fully drawn down and no amortization schedule has been established.

The 2002 OWDA Water Improvements Loan, authorized in the amount of \$265,000, was used to finance water plant expansions and improvements and will be repaid through Water Enterprise Fund revenue.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Principal and interest requirements to retire the Water Improvements OWDA Loan liability at December 31, 2008, are as follows:

Year Ended December 31,	Principal	Interest	Total
2009	\$12,140	\$3,980	\$16,120
2010	12,384	3,736	16,120
2011	12,633	3,487	16,120
2012	12,887	3,233	16,120
2013	13,146	2,974	16,120
2014 - 2018	69,802	10,801	80,603
2019 - 2023	69,045	3,498	72,543
	<u>\$202,037</u>	<u>\$31,709</u>	<u>\$233,746</u>

The 2007 OWDA Adams Street Water Improvement Loan, authorized in the amount of \$274,604, is being used to finance water line extension and improvements. The loan activity is reflected in the Water Enterprise Fund which received the proceeds and will repay the debt. The loan has not been fully drawn down and no amortization schedule has been established.

The 2008 OPWC Adams Street Water Improvement Loan, authorized in the amount of \$185,021, is being used to finance sewer line extension and improvements. The loan activity is reflected in the Water Enterprise Fund which received the proceeds and will repay the debt. The loan has not been fully drawn down and no amortization schedule has been established.

The 2007 OWDA Adams Street Improvement Loan, authorized in the amount of \$43,599, is being used to finance street improvements. The loan activity is reflected in the Street Construction and Maintenance Special Revenue Fund which received the proceeds. The loan has not been fully drawn down and no amortization schedule has been established.

The 2008 OPWC Adams Street Improvement Loan, authorized in the amount of \$30,332, is being used to finance street improvements. The loan activity is reflected in the Street Construction and Maintenance Special Revenue Fund which received the proceeds and will repay the debt. The loan has not been fully drawn down and no amortization schedule has been established.

The 1989 Water System Revenue bonds, originally issued for \$825,000, represent amounts borrowed from the Farmer's Home Administration for the purpose of improving the water system. The bonds will be repaid from the Water Enterprise Fund.

Principal and interest requirements to retire Water System Revenue bonds outstanding at December 31, 2008, are as follows:

Year Ended December 31,	Principal	Interest	Total
2009	\$75,000	\$2,813	\$77,813

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

The City has pledged future sewer customer revenues to repay \$3,075,080 in sewer system OWDA and OPWC loans obtained in 1989, 1998, 2002, 2007, and 2008. The loans are payable solely from sewer customer net revenues and are payable through 2021. Net revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loans are expected to require less than 55 percent of net revenues in future years. The total principal and interest remaining to be paid on the loans are \$2,013,981. Principal and interest payments for the current year were \$217,257, net revenues were \$395,876, and total revenues were \$1,102,827.

The City has pledged future water customer revenues to repay \$520,008 in water system OWDA and OPWC loans obtained in 2002, 2007, and 2008, and to repay the \$825,000 water system revenue bonds issued in 1989. The loans and bonds are payable solely from water customer net revenues and are payable through 2023. Net revenues include all revenues received by the water utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loans and bonds are expected to require less than 41 percent of net revenues in future years. The total principal and interest remaining to be paid on the loans and bonds are \$413,327 and \$77,813, respectively. Principal and interest payments for the current year were \$92,435, net revenues were \$229,582, and total revenues were \$1,109,749.

The Aquatic Center bond anticipation note was issued on February 29, 2008, for \$625,000 and matures on February 26, 2009. This bond anticipation note was issued for the purpose of acquiring and constructing the City's aquatic center. The note will be retired through municipal income taxes and revenues from user fees derived from the operation of the aquatic center. On February 26, 2009, \$500,000 of the note was rolled into a new note that matures on February 25, 2010; \$125,000 was repaid. Therefore, \$125,000 of the note issue was shown in the short-term notes payable schedule in Note 14.

Principal and interest requirements to retire the Police and Fire Pension liability at December 31, 2008, are as follows:

Year Ended December 31,	Principal	Interest	Total
2009	\$1,580	\$3,176	\$4,756
2010	1,648	3,108	4,756
2011	1,719	3,037	4,756
2012	1,792	2,964	4,756
2013	1,869	2,887	4,756
2014 - 2018	10,623	13,157	23,780
2019 - 2023	13,109	10,671	23,780
2024 - 2028	16,177	7,603	23,780
2029 - 2033	19,961	3,819	23,780
2034 - 2035	6,640	280	6,920
	<u>\$75,118</u>	<u>\$50,702</u>	<u>\$125,820</u>

The Police and Fire Pension liability is paid from general property tax revenues from the General Fund. The Pension liability payments are reflected as program expenditures. Compensated absences for sick leave liabilities will be paid from the General Fund, the Street Levy Special Revenue Fund, and the Water, Sewer, and Parking Meter Enterprise Funds. Capital lease obligations are paid from general property tax revenues from the General Fund and Street Levy Special Revenue Fund, and charges for services in the Water and Sewer Enterprise Funds.

The City's overall legal debt margin was \$4,163,792 at December 31, 2008.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 14 – Notes Payable

A summary of the note transactions for the year ended December 31, 2008, follows:

	Principal Outstanding 12/31/07	Additions	Deductions	Principal Outstanding 12/31/08
2007 Aquatic Center Bond Anticipation Notes - 4.10%	\$125,000	\$0	\$125,000	\$0
2008 Aquatic Center Bond Anticipation Notes - 2.05%	0	125,000	0	125,000
Total Governmental Activities	\$125,000	\$125,000	\$125,000	\$125,000

The Aquatic Center bond anticipation note is backed by the full faith and credit of the City of Nelsonville. The aquatic center note was issued on February 29, 2008, and matures on February 26, 2009. On February 26, 2009, the City retired this note through aquatic center revenues. The bond anticipation notes were issued for the purpose of acquiring and constructing the City's aquatic center.

Note 15 – 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 composed of the three Athens County Commissioners, one representative from each of the participating municipalities, including the City of Nelsonville, and one representative for every five thousand County residents appointed by the County Commissioners. The Commission is not dependent upon the City of Nelsonville for its continued existence. In 2008, the City made no contributions to the Commission.

Note 16 – Insurance Purchasing Pool

The City is participating in a group rating plan for workers' 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. 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 from 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.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 17 – Contingent Liabilities

A. Grants

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2008.

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 18 – Contractual Commitments

As of December 31, 2008, the City had contractual commitments for the following projects:

Project	Vendor	Contract Amount	Amount Expended	Balance at 12/31/08
Adams Street Rehabilitation	Poggemeyer Design	\$119,000	\$109,480	\$9,520
	TAM Construction	1,575,126	1,086,688	488,438
Bike Path	RJM Engineering	138,629	129,265	9,364
		<u>\$1,832,755</u>	<u>\$1,325,433</u>	<u>\$507,322</u>

Note 19 – Interfund Activity

Interfund Balances at December 31, 2008 of \$3,862, arise from the provision of cash flow resources from the General Fund until the receipt of grant monies by the Parking Meter Enterprise Fund.

Note 20 –Subsequent Events

On February 26, 2009, the City issued a \$500,000 bond anticipation note which will mature on February 25, 2010. This new note, in combination with a \$125,000 principal payment, retired the 2008 Aquatic Center bond anticipation note of \$625,000.

Independent Accountant's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards

City of Nelsonville
Athens County
211 Lake Hope Drive
Nelsonville, OH 43764

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Nelsonville, Athens County, Ohio (the City), as of and for the years ended December 31, 2008, and have issued our report thereon dated November 10, 2009. 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 of America.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2008-001 through 2008-003.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not prevent or detect a material financial statement misstatement.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We believe the significant deficiencies described above to be material weaknesses.

We noted certain internal control matters that we have reported to the City's management in a separate letter dated December 17, 2009.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's 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 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2008-004.

We also noted certain matters that we reported to the City's management in a separate letter dated December 17, 2009.

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

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

J.L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

December 17, 2009

CITY OF NELSONVILLE, ATHENS COUNTY
Schedule of Findings
For the Year Ended December 31, 2008

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

Finding Number 2008-001

Significant Deficiency/Material Weakness – Voided Receipts

During testing of the controls over receipts in the City Auditor’s Office, the Deputy Auditor was unable to provide all three copies of the triplicate receipt for voided transactions. The purpose of the triplicate receipt is to provide one copy for the payee’s record and one copy for the payee to deliver to the Treasurer when monies are paid in to that Office.

In order to strengthen controls over the receipting process and to support the determination that no monies were received, we recommend the City retain all three copies of the triplicate receipt for all voided transactions.

Officials’ Response

The City Auditor will be more diligent in maintaining all three copies of the triplicate receipt for voided transactions.

Finding Number 2008-002

Significant Deficiency/Material Weakness – Compensation

The City of Nelsonville, by Ordinance sets forth the annual compensation for the City Officials that are paid on a salary basis. This compensation was divided by twenty-six, for bi-weekly pays. During 2008, there were 27 bi-weekly pays, resulting in an overpayment for the following City Official:

Aileen Lehman	City Auditor	\$692.14
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The City Auditor position at the City of Nelsonville is an elected official. Therefore, this overpayment results in an in-term raise for the elected official. We recommend that City Council monitor the payroll process including the number of pays in each year to compare the annual compensation approved to the amount paid.

Officials’ Response

The City Auditor will more closely monitor the payroll process. The former City Auditor, Aileen Lehman, repaid the City \$692.14 by cashiers check on January 25, 2010.

CITY OF NELSONVILLE, ATHENS COUNTY
Schedule of Findings
For the Year Ended December 31, 2008

Finding Number 2008-003

Significant Deficiency/Material Weakness – Lack of controls over purchases and inventory

During our testing of controls over disbursements in the City Auditor's Office, we found some purchases were made without proper documentation. Upon review of purchases made by the City we found a lack of support for items that were above and below the threshold amount for capitalized items. The items were approved for purchase by the City with lack of proper supporting documentation. We found one item above the threshold amount and a few items below the threshold that were properly listed on the inventory sheet, however, the City was unable to physically locate the items. Through further inquiry, we found the City does not perform periodic evaluation of the inventory listing for items below the capitalization threshold to insure all assets are present.

We recommend the City maintain proper appropriate support for purchases such as original invoices. We also, recommend the City perform periodic annual evaluations of the capitalized and non-capitalized inventory listings to make sure items are present.

Officials' Response

The City Auditor will more closely monitor the inventory listings to help ensure all inventory is accounted for.

Finding Number 2008-004

Noncompliance Citation – Negative Fund Cash Balances

Section 5705.10 of the Ohio Revised Code states that monies paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another fund. At December 31, 2008, there was a negative cash balance in the Parking Meter Fund.

We recommend the City take the necessary steps to eliminate negative fund balances and only post disbursements into a fund for the purposes for which such fund has been established.

Officials' Response

The City Auditor will more closely monitor the cash balance of the funds to help ensure that no disbursements are made that would cause any fund to have a negative cash balance.

CITY OF NELSONVILLE, ATHENS COUNTY
Schedule of Prior Audit Findings
For the Year Ended December 31, 2008

Description	Status	Comments
<i>Government Auditing Standards:</i>		
1. Material Weakness - All three copies of the triplicate receipt for voided transactions were not retained.	Not Corrected	Reissued as a Material Weakness See Finding 2008-001
2. Material Weakness - Some purchases were made without proper documentation.	Not Corrected	Reissued as a Material Weakness See Finding 2008-003



Mary Taylor, CPA
Auditor of State

CITY OF NELSONVILLE

ATHENS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 15, 2010**