



*CITY OF NELSONVILLE, OHIO*

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**Regular Audit**

**For the Year Ended December 31, 2012**

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

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS







# Dave Yost • 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, 2012 through December 31, 2012. 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.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

August 15, 2013

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**CITY OF NELSONVILLE**  
**ATHENS COUNTY, OHIO**  
*Table of Contents*  
*For the Year Ended December 31, 2012*

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Independent Auditor's Report .....	1
Management's Discussion and Analysis .....	4
<b>Basic Financial Statements:</b>	
<u>Government-wide Financial Statements:</u>	
Statement of Net Position .....	11
Statement of Activities .....	12
<u>Fund Financial Statements:</u>	
Balance Sheet - Governmental Funds .....	14
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	17
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budget Basis)	
General Fund .....	18
Street Levy Fund .....	19
Grants Fund .....	20
Aquatic Center Fund .....	21
Statement of Fund Net Position - Enterprise Funds .....	22
Statement of Revenues, Expenses and Changes in Net Position - Enterprise Funds.....	23
Statement of Cash Flows - Enterprise Funds.....	24
Statement of Fiduciary Assets and Liabilities - Agency Fund .....	25
Notes to the Basic Financial Statements.....	26

**CITY OF NELSONVILLE**  
**ATHENS COUNTY, OHIO**  
*Table of Contents*  
*For the Year Ended December 31, 2012*

---

Independent Accountant's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards.....	54
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## **Independent Auditor's Report**

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

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, Athens County, Ohio, (the City) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to 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, 2012, and the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund, Street Levy Fund, Grants Fund and Aquatic Center Fund thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As described in Note 19, during 2012 the City adopted Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No.65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated June 27, 2013 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

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

June 27, 2013

**City of Nelsonville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*Unaudited*

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The discussion and analysis of the City of Nelsonville's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2012. 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 2012 are as follows:**

- In total, net position decreased \$695,650. Net position of governmental activities decreased \$633,224, or 4.3 percent from 2011. Net position of business-type activities decreased \$62,426, or 1.1 percent from 2011.
- In total, assets decreased \$774,312. Governmental activities assets decreased \$1,027,737, while the business-type activities assets increased \$253,425.
- Overall, capital assets decreased \$301,496. Total capital assets of governmental activities decreased \$531,125, or 4.6 percent. Capital assets of business-type activities increased \$229,629, or 3.6 percent.
- In total, liabilities decreased \$75,514. Total liabilities of governmental activities decreased \$391,365. Total liabilities of business-type activities increased \$315,851 from 2011.

**USING THIS ANNUAL FINANCIAL REPORT**

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

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

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

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

*Statement of Net Position and Statement of Activities*

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The Statement of Net Position and Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**City of Nelsonville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*Unaudited*

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

- **Governmental Activities** – Most of the City's services are reported here including police, fire, administration, and all departments with the exception of our Water, 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, 2012*  
*Unaudited*

**THE CITY OF NELSONVILLE AS A WHOLE**

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2012 compared to 2011.

(Table 1)  
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Assets</b>						
Current and Other Assets	\$4,011,771	\$4,508,383	\$1,797,454	\$1,773,658	\$5,809,225	\$6,282,041
Capital Assets, Net	11,003,762	11,534,887	6,575,070	6,345,441	17,578,832	17,880,328
<i>Total Assets</i>	<u>15,015,533</u>	<u>16,043,270</u>	<u>8,372,524</u>	<u>8,119,099</u>	<u>23,388,057</u>	<u>24,162,369</u>
<b>Liabilities</b>						
Current and Other Liabilities	236,704	294,471	465,169	190,942	701,873	485,413
Long-Term Liabilities:						
Due within One Year	59,968	111,886	239,176	263,746	299,144	375,632
Due in More than One Year	210,476	492,156	1,776,797	1,710,603	1,987,273	2,202,759
<i>Total Liabilities</i>	<u>507,148</u>	<u>898,513</u>	<u>2,481,142</u>	<u>2,165,291</u>	<u>2,988,290</u>	<u>3,063,804</u>
<b>Deferred Inflows of Resources</b>						
Property Taxes not Levied to Finance Current Year Operations	367,532	370,680	0	0	367,532	370,680
<b>Net Position</b>						
Net Investment in Capital Assets	10,736,393	10,934,244	4,606,678	4,427,757	15,343,071	15,362,001
Restricted for:						
Streets	449,026	338,877	0	0	449,026	338,877
Police	0	37,764	0	0	0	37,764
Parks	262,035	370,073	0	0	262,035	370,073
Capital Projects	936,396	1,031,452	0	0	936,396	1,031,452
Other Purposes	108,197	398,399	0	0	108,197	398,399
Unrestricted	1,648,806	1,663,268	1,284,704	1,526,051	2,933,510	3,189,319
<i>Total Net Position</i>	<u>\$14,140,853</u>	<u>\$14,774,077</u>	<u>\$5,891,382</u>	<u>\$5,953,808</u>	<u>\$20,032,235</u>	<u>\$20,727,885</u>

Total governmental activities assets decreased \$1,027,737. This is primarily due depreciation of capital assets, as well as reductions in intergovernmental receivables and income tax receivables.

Total governmental activities liabilities decreased \$391,365. This is mostly due to the City making required debt payments, while issuing no new governmental long-term debt in 2012.

Total business-type activities assets increased \$253,425. This is primarily due to capital asset increases for improvements currently being made to the City's water treatment plant.

For business-type activities, liabilities increased \$315,851, primarily due to an increase in contracts payable, related to the City's water treatment plant project.

**City of Nelsonville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*Unaudited*

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

(Table 2)  
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$145,521	\$160,859	\$2,061,988	\$2,081,568	\$2,207,509	\$2,242,427
Operating Grants, Contributions and Interest	353,447	743,136	0	0	353,447	743,136
Capital Grants and Contributions	0	0	15,569	70,713	15,569	70,713
<i>Total Program Revenues</i>	<u>498,968</u>	<u>903,995</u>	<u>2,077,557</u>	<u>2,152,281</u>	<u>2,576,525</u>	<u>3,056,276</u>
General Revenues						
Property Taxes	523,625	428,692	0	0	523,625	428,692
Income Taxes	1,697,208	1,648,495	0	0	1,697,208	1,648,495
Grants and Entitlements	248,777	180,348	0	0	248,777	180,348
Interest	10,110	21,101	0	0	10,110	21,101
Other	35,978	13,473	2,893	0	38,871	13,473
Gain on Sale of Capital Assets	6,007	0	0	0	6,007	0
Insurance Recoveries	28,441	46,660	0	1,735	28,441	48,395
<i>Total General Revenues</i>	<u>2,550,146</u>	<u>2,338,769</u>	<u>2,893</u>	<u>1,735</u>	<u>2,553,039</u>	<u>2,340,504</u>
Total Revenues	<u>3,049,114</u>	<u>3,242,764</u>	<u>2,080,450</u>	<u>2,154,016</u>	<u>5,129,564</u>	<u>5,396,780</u>
<b>Program Expenses</b>						
General Government	539,381	560,003	0	0	539,381	560,003
Security of Persons and Property:						
Police	908,599	828,798	0	0	908,599	828,798
Fire	457,118	423,065	0	0	457,118	423,065
Transportation	1,086,841	353,206	0	0	1,086,841	353,206
Leisure Time Activities	317,068	141,900	0	0	317,068	141,900
Community Environment	357,936	194,617	0	0	357,936	194,617
Interest and Fiscal Charges	15,395	23,981	0	0	15,395	23,981
Water	0	0	1,134,385	931,305	1,134,385	931,305
Sewer	0	0	993,939	897,062	993,939	897,062
Parking Meter	0	0	14,552	300	14,552	300
<i>Total Program Expenses</i>	<u>3,682,338</u>	<u>2,525,570</u>	<u>2,142,876</u>	<u>1,828,667</u>	<u>5,825,214</u>	<u>4,354,237</u>
<i>Increase (Decrease) in Net Position before Transfers</i>	(633,224)	717,194	(62,426)	325,349	(695,650)	1,042,543
<i>Transfers</i>	0	(24,300)	0	24,300	0	0
<i>Increase (Decrease) in Net Position</i>	(633,224)	692,894	(62,426)	349,649	(695,650)	1,042,543
<i>Net Position at Beginning of Year</i>	<u>14,774,077</u>	<u>14,081,183</u>	<u>5,953,808</u>	<u>5,604,159</u>	<u>20,727,885</u>	<u>19,685,342</u>
<i>Net Position at End of Year</i>	<u>\$14,140,853</u>	<u>\$14,774,077</u>	<u>\$5,891,382</u>	<u>\$5,953,808</u>	<u>\$20,032,235</u>	<u>\$20,727,885</u>

**Governmental Activities**

Program revenues accounted for 16.4 percent of total revenues for governmental activities in 2012. The amount of program revenues decreased \$405,027 from 2011. This decrease is due to the cyclical nature of grant funding from the Community Housing Improvement Program. Governmental activities services are primarily funded through general revenues, those basically comprising property taxes, income taxes, and State shared revenues. These revenue sources make up 96.8 percent of general revenues and 81 percent of total

**City of Nelsonville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*Unaudited*

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revenues. In total, the City's general revenues increased \$211,377 during 2012. This increase is due to increases in the City's income tax and property tax collections.

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

Governmental expenses increased \$1,156,768, the result in the change in accounting estimate in 2011. Security of persons and property is a major activity of the City, representing 37 percent of the governmental expenses. During 2012, expenses for police and fire operations amounted to \$908,599 and \$457,118, respectively. Expenses increased \$79,801 in the police department and \$34,053 in the fire department. These activities are, for the most part, funded by the municipal income tax. The City attempts to supplement the income and activities of the police department, by applying for additional grant funding, to enable the department to widen the scope of its activity. The police and fire department and its employees continue to work hand in hand with the City to limit costs to the taxpayer.

Transportation activities of the City accounted for more than 29.5 percent of governmental expenses.

General government, leisure time activities, community environment, and interest and fiscal charges account for the remaining 33.5 percent of governmental expenses.

***Business-Type Activities***

The City's water and sewer operations account for 99.3 percent of the expenses for the City's business-type activities and are funded almost entirely from charges for services. During 2012, program expenses exceeded program revenues by \$65,319 for all business-type activities.

The City's water and sewer departments continued to operate with reasonable water and sewer rates. The minimum water and sewer rates are \$9.42 and \$11.13, respectively, for the first 1,500 gallons. Water and sewer rates for two surrounding communities are \$11.44 and \$17.42 for water and \$11.40 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 \$3,200,162 and expenditures of \$3,511,455.

The fund balance of the General Fund decreased \$240,679. The General Fund's unassigned fund balance of \$719,183 represented 38.2 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 increased \$45,065. The Street Levy Special Revenue Fund's spendable fund balance of \$104,957 represented 49.1 percent of current year expenditures.

The fund balance of the Grants Special Revenue Fund did not change. The Grants Special Revenue Fund's spendable fund balance of \$51,773 represented 15.9 percent of current year expenditures.

The fund balance of the Aquatic Center Special Revenue Fund increased \$22,107. The Aquatic Center Fund's spendable fund balance of \$170,492 represented 53.4 percent of current year expenditures.

The fund balance of the Capital Improvements Capital Projects Fund decreased \$79,316. The Capital Improvement Fund's spendable fund balance of \$908,403 represented 220.5 percent of current year expenditures.

**City of Nelsonville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*Unaudited*

The net position balance of the Water Enterprise Fund decreased \$90,884. The Water Fund's unrestricted net position balance of \$423,862 represented 37.5 percent of current year expenses.

The net position balance of the Sewer Enterprise Fund increased \$26,319. The Sewer Fund's unrestricted net position balance of \$823,385 represented 85.3 percent of current year expenses.

The net position balance of the Parking Meter Enterprise fund increased \$2,139. The Parking Meter Fund's unrestricted net position balance of \$37,457 represented 257.4 percent of current year expenses.

**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 2012, 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, increases of \$17,820 were made to the original budgeted revenues. Final budgeted expenditures decreased \$150,435 from the original amount.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2012, the City had \$11,003,762 in governmental activities, and \$6,575,070 in business-type activities, invested in land, construction in progress, buildings, furniture, fixtures, and equipment, vehicles, and infrastructure. Table 3 shows fiscal year 2012 balances compared to 2011.

(Table 3)  
 Capital Assets at December 31, 2012

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$407,263	\$407,263	\$155,955	\$155,955	\$563,218	\$563,218
Construction in Progress	0	0	557,727	154,647	557,727	154,647
Land Improvements	1,236,195	1,252,058	4,345	4,698	1,240,540	1,256,756
Buildings and Improvements	2,228,781	2,294,271	0	0	2,228,781	2,294,271
Furniture, Fixtures, and Equipment	324,126	278,845	280,607	233,933	604,733	512,778
Vehicles	478,836	556,097	60,266	0	539,102	556,097
Infrastructure	6,328,561	6,746,353	5,516,170	5,796,208	11,844,731	12,542,561
<b>Totals</b>	<b>\$11,003,762</b>	<b>\$11,534,887</b>	<b>\$6,575,070</b>	<b>\$6,345,441</b>	<b>\$17,578,832</b>	<b>\$17,880,328</b>

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

**City of Nelsonville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*Unaudited*

**Debt**

As of December 31, 2012, and December 31, 2011, the City had total long-term debt of \$2,178,360 and \$2,587,708, respectively, as follows:

(Table 4)  
 Outstanding Debt at December 31, 2012

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
OWDA Loans	\$20,866	\$22,669	\$1,586,242	\$1,686,197	\$1,607,108	\$1,708,866
OPWC Loans	24,944	155,615	382,150	231,497	407,094	387,112
Bond Anticipation Notes	0	250,000	0	0	0	250,000
Capital Leases	96,559	172,359	0	0	96,559	172,359
Police Pension Liability	67,599	69,371	0	0	67,599	69,371
<b>Totals</b>	<b>\$209,968</b>	<b>\$670,014</b>	<b>\$1,968,392</b>	<b>\$1,917,694</b>	<b>\$2,178,360</b>	<b>\$2,587,708</b>

The City's overall legal debt margin was \$4,879,209 at December 31, 2012. For additional information on the City's debt, see Notes 12, 13, and 14 to the basic financial statements.

**CURRENT ISSUES**

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

**CONTACTING THE CITY AUDITOR'S DEPARTMENT**

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



**City of Nelsonville, Ohio**  
*Statement of Net Position*  
*December 31, 2012*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$2,865,046	\$1,456,776	\$4,321,822
Accounts Receivable	14,749	317,217	331,966
Intergovernmental Receivable	297,091	12,572	309,663
Income Taxes Receivable	236,654	0	236,654
Prepaid Items	27,882	10,889	38,771
Property Taxes Receivable	570,349	0	570,349
Nondepreciable Capital Assets	407,263	713,682	1,120,945
Depreciable Capital Assets, Net	10,596,499	5,861,388	16,457,887
<i>Total Assets</i>	<u>15,015,533</u>	<u>8,372,524</u>	<u>23,388,057</u>
<b>Liabilities</b>			
Accounts Payable	15,212	35,228	50,440
Contracts Payable	0	253,626	253,626
Accrued Wages Payable	23,251	14,334	37,585
Intergovernmental Payable	70,124	29,158	99,282
Accrued Interest Payable	3,117	19,027	22,144
Retainage Payable	0	16,800	16,800
Notes Payable	125,000	0	125,000
Customer Deposits Payable	0	96,996	96,996
Long-Term Liabilities:			
Due within One Year	59,968	239,176	299,144
Due in More than One Year	210,476	1,776,797	1,987,273
<i>Total Liabilities</i>	<u>507,148</u>	<u>2,481,142</u>	<u>2,988,290</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes not Levied to Finance Current Year Operations	367,532	0	367,532
<b>Net Position</b>			
Net Investment in Capital Assets	10,736,393	4,606,678	15,343,071
Restricted for:			
Streets	449,026	0	449,026
Parks	262,035	0	262,035
Capital Projects	936,396	0	936,396
Other Purposes	108,197	0	108,197
Unrestricted	1,648,806	1,284,704	2,933,510
<i>Total Net Position</i>	<u>\$14,140,853</u>	<u>\$5,891,382</u>	<u>\$20,032,235</u>

See accompanying notes to the basic financial statements

**City of Nelsonville, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2012

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
<b>Governmental Activities</b>				
General Government	\$539,381	\$8,593	\$0	\$0
Security of Persons and Property:				
Police	908,599	44,183	8,262	0
Fire	457,118	7,280	0	0
Transportation	1,086,841	0	299,235	0
Leisure Time Activities	317,068	85,465	23,997	0
Community Environment	357,936	0	21,953	0
Interest and Fiscal Charges	15,395	0	0	0
<i>Total Governmental Activities</i>	<u>3,682,338</u>	<u>145,521</u>	<u>353,447</u>	<u>0</u>
<b>Business-Type Activities</b>				
Water	1,134,385	1,039,304	0	4,197
Sewer	993,939	1,005,993	0	11,372
Parking Meter	14,552	16,691	0	0
<i>Total Business-Type Activities</i>	<u>2,142,876</u>	<u>2,061,988</u>	<u>0</u>	<u>15,569</u>
<i>Totals</i>	<u>\$5,825,214</u>	<u>\$2,207,509</u>	<u>\$353,447</u>	<u>\$15,569</u>

**General Revenues**

- Property Taxes Levied for:
  - General Purposes
  - Street Construction and Maintenance
  - Parks and Recreation
- Income Taxes Levied for:
  - General Purposes
  - Aquatic Center
  - Capital Improvements
- Grants and Entitlements not Restricted to Specific Programs
- Interest
- Other
- Gain on Sale of Capital Assets
- Insurance Recoveries

*Total General Revenues*

*Change in Net Position*

*Net Position at Beginning of Year*

*Net Position at End of Year*

See accompanying notes to the basic financial statements

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(\$530,788)	\$0	(\$530,788)
(856,154)	0	(856,154)
(449,838)	0	(449,838)
(787,606)	0	(787,606)
(207,606)	0	(207,606)
(335,983)	0	(335,983)
(15,395)	0	(15,395)
<u>(3,183,370)</u>	<u>0</u>	<u>(3,183,370)</u>
0	(90,884)	(90,884)
0	23,426	23,426
0	2,139	2,139
<u>0</u>	<u>(65,319)</u>	<u>(65,319)</u>
<u>(3,183,370)</u>	<u>(65,319)</u>	<u>(3,248,689)</u>
204,121	0	204,121
298,853	0	298,853
20,651	0	20,651
1,163,718	0	1,163,718
242,517	0	242,517
290,973	0	290,973
248,777	0	248,777
10,110	0	10,110
35,978	2,893	38,871
6,007	0	6,007
28,441	0	28,441
<u>2,550,146</u>	<u>2,893</u>	<u>2,553,039</u>
(633,224)	(62,426)	(695,650)
<u>14,774,077</u>	<u>5,953,808</u>	<u>20,727,885</u>
<u>\$14,140,853</u>	<u>\$5,891,382</u>	<u>\$20,032,235</u>

**City of Nelsonville, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2012*

	General	Street Levy	Grants	Aquatic Center	Capital Improvements
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$1,227,451	\$111,425	\$51,773	\$288,209	\$895,928
Restricted Assets: Cash and Cash Equivalents	20,362	0	0	0	0
Receivables:					
Property Taxes	225,536	322,194	0	0	0
Income Taxes	162,345	0	0	33,841	40,468
Accounts	14,749	0	0	0	0
Intergovernmental	202,252	13,400	0	0	0
Prepaid Items	21,030	383	0	803	0
<i>Total Assets</i>	<u>\$1,873,725</u>	<u>\$447,402</u>	<u>\$51,773</u>	<u>\$322,853</u>	<u>\$936,396</u>
<b>Liabilities</b>					
Accounts Payable	9,429	981	0	925	0
Accrued Wages Payable	18,503	4,632	0	116	0
Intergovernmental Payable	61,034	855	0	2,108	0
Notes Payable	0	0	0	125,000	0
<i>Total Liabilities</i>	<u>88,966</u>	<u>6,468</u>	<u>0</u>	<u>128,149</u>	<u>0</u>
<b>Deferred Inflows of Resources</b>					
Property Taxes not Levied to Finance Current Year Operations	145,335	207,621	0	0	0
Unavailable Revenue	376,065	127,973	0	23,409	27,993
<i>Total Deferred Inflows of Resources</i>	<u>521,400</u>	<u>335,594</u>	<u>0</u>	<u>23,409</u>	<u>27,993</u>
<b>Fund Balances</b>					
Nonspendable:					
Prepaid Items	21,030	383	0	803	0
Unclaimed Monies	20,362	0	0	0	0
Restricted	0	104,957	51,773	170,492	908,403
Assigned	502,784	0	0	0	0
Unassigned	719,183	0	0	0	0
<i>Total Fund Balances</i>	<u>1,263,359</u>	<u>105,340</u>	<u>51,773</u>	<u>171,295</u>	<u>908,403</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$1,873,725</u>	<u>\$447,402</u>	<u>\$51,773</u>	<u>\$322,853</u>	<u>\$936,396</u>

See accompanying notes to the basic financial statements

**City of Nelsonville, Ohio**  
*Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
December 31, 2012*

Other Governmental Funds	Total Governmental Funds		
\$269,898	\$2,844,684	<b>Total Governmental Fund Balances</b> <span style="float: right;">\$2,788,454</span>	
0	20,362	<b>Amounts reported for governmental activities in the statement of net position are different because:</b>	
22,619	570,349	Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds. <span style="float: right;">11,003,762</span>	
0	236,654	Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:	
0	14,749	Property Taxes	202,817
81,439	297,091	Income Taxes	163,701
5,666	27,882	Intergovernmental Revenues	255,680
<b>\$379,622</b>	<b>\$4,011,771</b>		622,198
3,877	15,212	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:	
0	23,251	Police Pension Payable	(67,599)
6,127	70,124	Loans Payable	(45,810)
0	125,000	Capital Leases Payable	(96,559)
10,004	233,587	Accrued Interest Payable	(3,117)
		Compensated Absences	(60,476)
			(273,561)
		<b>Net Position of Governmental Activities</b>	<b><u>\$14,140,853</u></b>
14,576	367,532		
66,758	622,198		
81,334	989,730		
5,666	27,882		
0	20,362		
282,618	1,518,243		
0	502,784		
0	719,183		
288,284	2,788,454		
<b>\$379,622</b>	<b>\$4,011,771</b>		

**City of Nelsonville, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2012*

	General	Street Levy	Grants	Aquatic Center	Capital Improvements
<b>Revenues</b>					
Property Taxes	\$157,526	\$232,289	\$0	\$0	\$0
Income Taxes	1,226,864	0	0	255,680	306,713
Permissive Motor Vehicle License Tax	0	0	0	0	0
Intergovernmental	130,172	26,568	325,710	0	0
Charges for Services	14,814	0	0	85,465	0
Fines, Licenses, and Permits	40,272	0	0	0	0
Interest	10,110	0	0	0	0
Gifts and Donations	0	0	0	0	0
Other	23,611	0	0	250	3,691
<i>Total Revenues</i>	<u>1,603,369</u>	<u>258,857</u>	<u>325,710</u>	<u>341,395</u>	<u>310,404</u>
<b>Expenditures</b>					
Current:					
General Government	529,094	0	0	0	0
Security of Persons and Property:					
Police	883,825	0	0	0	0
Fire	395,275	0	0	0	0
Transportation	76,773	213,792	0	0	0
Leisure Time Activities	0	0	0	183,890	0
Community Environment	0	0	325,710	0	0
Capital Outlay	0	0	0	0	306,630
Debt Service:					
Principal Retirement	0	0	0	0	98,106
Interest and Fiscal Charges	0	0	0	10,398	7,290
Current Refunding	0	0	0	125,000	0
<i>Total Expenditures</i>	<u>1,884,967</u>	<u>213,792</u>	<u>325,710</u>	<u>319,288</u>	<u>412,026</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(281,598)</u>	<u>45,065</u>	<u>0</u>	<u>22,107</u>	<u>(101,622)</u>
<b>Other Financing Sources (Uses)</b>					
Inception of Capital Lease	0	0	0	0	22,306
Insurance Recoveries	28,441	0	0	0	0
Proceeds from the Sale of Capital Assets	12,478	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>40,919</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>22,306</u>
<i>Net Change in Fund Balance</i>	<u>(240,679)</u>	<u>45,065</u>	<u>0</u>	<u>22,107</u>	<u>(79,316)</u>
<i>Fund Balances at Beginning of Year</i>	<u>1,504,038</u>	<u>60,275</u>	<u>51,773</u>	<u>149,188</u>	<u>987,719</u>
<i>Fund Balances at End of Year</i>	<u>\$1,263,359</u>	<u>\$105,340</u>	<u>\$51,773</u>	<u>\$171,295</u>	<u>\$908,403</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, 2012*

Other Governmental Funds	Total Governmental Funds		
		<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>(\$245,469)</b>
		<b>Amounts reported for governmental activities in the statement of activities are different because:</b>	
\$15,923	\$405,738	Governmental funds report capital outlays as expenditures. However,	
0	1,789,257	in the statement of activities, the cost of those assets is allocated	
20,383	20,383	over their useful lives as depreciation expense. This is the amount	
287,232	769,682	by which depreciation exceeded capital outlay in the current period:	
0	100,279	Capital Assets Additions	194,421
4,970	45,242	Depreciation Expense	<u>(724,478)</u>
594	10,704		(530,057)
30,901	30,901	Governmental funds only report the disposal of assets to the extent	
424	27,976	proceeds are received from the sale. In the statement of activities,	
		a gain or loss is reported for each disposal.	(1,068)
<u>360,427</u>	<u>3,200,162</u>		
		Revenues in the statement of activities that do not provide current	
		financial resources are not reported as revenues in the funds:	
3,160	532,254	Property Taxes	117,887
		Income Taxes	(92,049)
11,156	894,981	Intergovernmental Revenues	<u>(219,336)</u>
0	395,275		(193,498)
139,836	430,401	Repayments of principal is an expenditure in the governmental funds,	
42,818	226,708	but the repayment reduces long-term liabilities in the statement	
25,251	350,961	of net assets:	
0	306,630	Bond Anticipation Notes Payable	125,000
		OWDA Loans Payable	1,803
132,474	230,580	OPWC Loans Payable	130,671
977	18,665	Capital Leases Payable	98,106
0	125,000	Police Pension Payable	<u>1,772</u>
			357,352
<u>355,672</u>	<u>3,511,455</u>	In the statement of activities, interest is accrued on outstanding debt,	
		whereas in governmental funds, interest is expended when due.	3,270
4,755	(311,293)	Other financing sources in the governmental funds that increase	
		long-term liabilities in the statement of net assets are not	
		reported:	
0	22,306	Inception of Capital Leases	(22,306)
0	28,441		
2,599	15,077	Compensated absences reported in the statement of activities do	
		not require the use of current financial resources and therefore	
2,599	65,824	are not reported as expenditures in governmental funds.	<u>(1,448)</u>
7,354	(245,469)		
<u>280,930</u>	<u>3,033,923</u>	<b>Change in Net Position of Governmental Activities</b>	<b><u>(\$633,224)</u></b>
<u>\$288,284</u>	<u>\$2,788,454</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property Taxes	\$162,975	\$157,526	\$157,526	\$0
Income Taxes	1,226,360	1,258,769	1,258,769	0
Intergovernmental	129,245	132,660	132,660	0
Charges for Services	14,465	14,838	14,838	0
Fines, Licenses, and Permits	43,327	44,472	44,472	0
Interest	9,850	10,110	10,110	0
Other	24,637	10,304	10,304	0
<i>Total Revenues</i>	<u>1,610,859</u>	<u>1,628,679</u>	<u>1,628,679</u>	<u>0</u>
<b>Expenditures</b>				
Current:				
General Government	766,631	550,292	550,292	0
Security of Persons and Property:				
Police	839,971	862,231	862,231	0
Fire	447,203	414,074	414,074	0
Transportation	0	76,773	76,773	0
<i>Total Expenditures</i>	<u>2,053,805</u>	<u>1,903,370</u>	<u>1,903,370</u>	<u>0</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(442,946)</u>	<u>(274,691)</u>	<u>(274,691)</u>	<u>0</u>
<b>Other Financing Sources</b>				
Insurance Recoveries	0	28,441	28,441	0
Proceeds from Sale of Capital Assets	0	12,478	12,478	0
<i>Total Other Financing Sources</i>	<u>0</u>	<u>40,919</u>	<u>40,919</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(442,946)</u>	<u>(233,772)</u>	<u>(233,772)</u>	<u>0</u>
<i>Fund Balance at Beginning of Year</i>	<u>1,478,345</u>	<u>1,478,345</u>	<u>1,478,345</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$1,035,399</u>	<u>\$1,244,573</u>	<u>\$1,244,573</u>	<u>\$0</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property Taxes	\$232,822	\$232,289	\$232,289	\$0
Intergovernmental	<u>16,678</u>	<u>26,568</u>	<u>26,568</u>	<u>0</u>
<i>Total Revenues</i>	249,500	258,857	258,857	0
<b>Expenditures</b>				
Current:				
Transportation	<u>254,050</u>	<u>213,771</u>	<u>213,771</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(4,550)	45,086	45,086	0
<i>Fund Balance at Beginning of Year</i>	<u>66,339</u>	<u>66,339</u>	<u>66,339</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$61,789</u></u>	<u><u>\$111,425</u></u>	<u><u>\$111,425</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

**City of Nelsonville, Ohio**  
*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (Budget Basis)*  
**Grants Fund**  
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$399,730	\$361,730	\$361,730	\$0
<b>Expenditures</b>				
Current:				
Community and Economic Development	399,156	361,730	361,730	0
<i>Excess of Revenues Over Expenditures</i>	574	0	0	0
<i>Fund Balance at Beginning of Year</i>	51,773	51,773	51,773	0
<i>Fund Balance at End of Year</i>	<u>\$52,347</u>	<u>\$51,773</u>	<u>\$51,773</u>	<u>\$0</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)*  
**Aquatic Center Fund**  
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Income Taxes	\$232,826	\$262,331	\$262,331	\$0
Charges for Services	75,852	85,465	85,465	0
Other	222	250	250	0
<i>Total Revenues</i>	308,900	348,046	348,046	0
<b>Expenditures</b>				
Current:				
Leisure Time Activities	219,984	183,360	183,360	0
Debt Service:				
Principal Retirements	250,000	250,000	250,000	0
Interest and Fiscal Charges	10,398	10,398	10,398	0
<i>Total Expenditures</i>	480,382	443,758	443,758	0
<i>Excess of Revenues Under Expenditures</i>	(171,482)	(95,712)	(95,712)	0
<b>Other Financing Sources</b>				
Bond Anticipation Notes Issued	125,000	125,000	125,000	0
<i>Net Change in Fund Balance</i>	(46,482)	29,288	29,288	0
<i>Fund Balance at Beginning of Year</i>	258,921	258,921	258,921	0
<i>Fund Balance at End of Year</i>	\$212,439	\$288,209	\$288,209	\$0

See accompanying notes to the basic financial statements

**City of Nelsonville, Ohio**  
**Statement of Fund Net Position**  
**Enterprise Funds**  
**December 31, 2012**

	Water	Sewer	Parking Meter	Total Enterprise Funds
<b>Assets</b>				
Current:				
Equity in Pooled Cash and Cash Equivalents	\$591,742	\$729,197	\$38,841	\$1,359,780
Restricted Assets:				
Customer Deposits	58,198	38,798	0	96,996
Accounts Receivable	162,422	154,795	0	317,217
Intergovernmental Receivable	1,821	10,751	0	12,572
Prepaid Items	6,380	4,509	0	10,889
<i>Total Current Assets</i>	<u>820,563</u>	<u>938,050</u>	<u>38,841</u>	<u>1,797,454</u>
Noncurrent:				
Nondepreciable Capital Assets	594,224	119,458	0	713,682
Depreciable Capital Assets, Net	2,665,319	3,195,903	166	5,861,388
<i>Total Noncurrent Assets</i>	<u>3,259,543</u>	<u>3,315,361</u>	<u>166</u>	<u>6,575,070</u>
<i>Total Assets</i>	<u>4,080,106</u>	<u>4,253,411</u>	<u>39,007</u>	<u>8,372,524</u>
<b>Liabilities</b>				
Current:				
Accounts Payable	8,696	26,251	281	35,228
Contracts Payable	253,626	0	0	253,626
Accrued Wages Payable	7,827	5,851	656	14,334
Intergovernmental Payable	15,979	12,809	370	29,158
Retainage Payable	16,800	0	0	16,800
Accrued Interest Payable	1,520	17,507	0	19,027
OWDA Loans Payable	13,146	189,953	0	203,099
OPWC Loans Payable	9,918	9,453	0	19,371
Compensated Absences Payable	11,145	5,561	0	16,706
Customer Deposits Payable	58,198	38,798	0	96,996
<i>Total Current Liabilities</i>	<u>396,855</u>	<u>306,183</u>	<u>1,307</u>	<u>704,345</u>
Long-Term:				
OWDA Loans Payable	520,328	862,815	0	1,383,143
OPWC Loans Payable	209,525	153,254	0	362,779
Compensated Absences Payable	22,910	7,888	77	30,875
<i>Total Long-Term Liabilities</i>	<u>752,763</u>	<u>1,023,957</u>	<u>77</u>	<u>1,776,797</u>
<i>Total Liabilities</i>	<u>1,149,618</u>	<u>1,330,140</u>	<u>1,384</u>	<u>2,481,142</u>
<b>Net Position</b>				
Net Investment in Capital Assets	2,506,626	2,099,886	166	4,606,678
Unrestricted	423,862	823,385	37,457	1,284,704
<i>Total Net Position</i>	<u>\$2,930,488</u>	<u>\$2,923,271</u>	<u>\$37,623</u>	<u>\$5,891,382</u>

See accompanying notes to the basic financial statements

**City of Nelsonville, Ohio**  
*Statement of Revenues, Expenses  
and Changes in Fund Net Position  
Enterprise Funds  
For the Year December 31, 2012*

	Water	Sewer	Parking Meter	Total Enterprise Funds
<b>Operating Revenues</b>				
Charges for Services	\$1,039,304	\$1,005,993	\$16,691	\$2,061,988
Other Operating Revenues	0	2,893	0	2,893
<i>Total Operating Revenues</i>	<u>1,039,304</u>	<u>1,008,886</u>	<u>16,691</u>	<u>2,064,881</u>
<b>Operating Expenses</b>				
Salaries and Wages	392,456	304,582	10,627	707,665
Fringe Benefits	156,617	111,772	2,001	270,390
Contractual Services	239,779	252,953	588	493,320
Materials and Supplies	205,360	85,730	1,180	292,270
Depreciation	135,576	210,782	156	346,514
<i>Total Operating Expenses</i>	<u>1,129,788</u>	<u>965,819</u>	<u>14,552</u>	<u>2,110,159</u>
<i>Operating Income (Loss)</i>	<u>(90,484)</u>	<u>43,067</u>	<u>2,139</u>	<u>(45,278)</u>
<b>Non-Operating Expenses</b>				
Loss on Sale of Capital Assets	0	(1,114)	0	(1,114)
Interest and Fiscal Charges	(4,597)	(27,006)	0	(31,603)
<i>Total Non-Operating Expenses</i>	<u>(4,597)</u>	<u>(28,120)</u>	<u>0</u>	<u>(32,717)</u>
<i>Income (Loss) before Contributions</i>	<u>(95,081)</u>	<u>14,947</u>	<u>2,139</u>	<u>(77,995)</u>
Capital Contributions	4,197	11,372	0	15,569
<i>Change in Net Position</i>	<u>(90,884)</u>	<u>26,319</u>	<u>2,139</u>	<u>(62,426)</u>
<i>Net Position at Beginning of Year</i>	<u>3,021,372</u>	<u>2,896,952</u>	<u>35,484</u>	<u>5,953,808</u>
<i>Net Position at End of Year</i>	<u><u>\$2,930,488</u></u>	<u><u>\$2,923,271</u></u>	<u><u>\$37,623</u></u>	<u><u>\$5,891,382</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, 2012

	Water	Sewer	Parking Meter	Total Enterprise Funds
<b>Increase (Decrease) in Cash and Cash Equivalents</b>				
<b>Cash Flows from Operating Activities:</b>				
Cash Received from Customers	\$1,051,984	\$1,026,810	\$17,181	\$2,095,975
Cash Payments for Employee Services and Benefits	(556,903)	(427,887)	(11,525)	(996,315)
Cash Payments to Suppliers for Goods and Services	(438,558)	(328,125)	(1,487)	(768,170)
Other Operating Revenues	0	2,903	0	2,903
Customer Deposits Received	9,000	6,000	0	15,000
Customer Deposits Returned	(7,935)	(5,290)	0	(13,225)
<i>Net Cash Provided by Operating Activities</i>	<u>57,588</u>	<u>274,411</u>	<u>4,169</u>	<u>336,168</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition of Capital Assets	(205,775)	(101,056)	0	(306,831)
Proceeds from OWDA Loans	317,881	0	0	317,881
Proceeds from OPWC Loans	104,386	65,304	0	169,690
Principal Paid on OWDA Loans	(226,102)	(191,734)	0	(417,836)
Interest Paid on OWDA Loans	(4,726)	(27,006)	0	(31,732)
Principal Paid on OPWC Loans	(9,584)	(9,453)	0	(19,037)
Capital Contributions	2,600	850	0	3,450
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(21,320)</u>	<u>(263,095)</u>	<u>0</u>	<u>(284,415)</u>
<i>Net Increase in Cash and Cash Equivalents</i>	36,268	11,316	4,169	51,753
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>613,672</u>	<u>756,679</u>	<u>34,672</u>	<u>1,405,023</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$649,940</u>	<u>\$767,995</u>	<u>\$38,841</u>	<u>\$1,456,776</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
<i>Operating Income (Loss)</i>	(\$90,484)	\$43,067	\$2,139	(\$45,278)
<i>Adjustments:</i>				
Depreciation	135,576	210,782	156	346,514
<i>Increase in Assets:</i>				
Accounts Receivable	10,080	19,977	490	30,547
Prepays Items	6,481	3,048	0	9,529
<i>Increase (Decrease) in Liabilities:</i>				
Accounts Payable	(2,944)	5,276	281	2,613
Accrued Wages Payable	(61)	(148)	656	447
Compensated Absences Payable	(1,537)	(7,614)	77	(9,074)
Customer Deposits	1,065	710	0	1,775
Intergovernmental Payable	(588)	(687)	370	(905)
<i>Net Cash Provided by Operating Activities</i>	<u>\$57,588</u>	<u>\$274,411</u>	<u>\$4,169</u>	<u>\$336,168</u>

See accompanying notes to the basic financial statements

**City of Nelsonville, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Fund*  
*December 31, 2012*

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**Assets**

Cash and Cash Equivalents in Segregated Accounts	<u><u>\$2,637</u></u>
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**Liabilities**

Intergovernmental Payable	\$1,027
Undistributed Monies	<u>1,610</u>

<i>Total Liabilities</i>	<u><u>\$2,637</u></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, 2012*

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**Note 1 - Description of City and Reporting Entity**

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

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

***Reporting Entity***

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent upon the City in that the City approves the budget, the issuance of debt, or the levying of taxes 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 and the Athens County Economic Development Council, which are defined as jointly governed organizations, and the Ohio Municipal League Workers' Compensation Group Rating Plan, which is defined as an insurance purchasing pool. These organizations are presented in Notes 16 and 17 to the Basic Financial Statements.

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

The financial statements of the City of Nelsonville have been prepared in conformity to generally accepted accounting principles (GAAP) as applied to local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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, 2012*

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**A. Basis of Presentation**

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

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

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

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

**B. Fund Accounting**

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

**Governmental Fund Types** Governmental funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources, and liabilities and deferred inflows of resources 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 property tax monies received for various street projects, infrastructure improvements, and maintenance of the streets within the City.

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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

**Aquatic Center Fund** The Aquatic Center Fund is used to account for activity related to the City's pool.

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

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

**Proprietary Funds** Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as either enterprise or internal service. The City's proprietary funds are all classified as enterprise funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. 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 position and changes in net position. There are four categories of fiduciary funds: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equals liabilities) and do not involve measurement of results of operations. The City's only fiduciary fund is an agency fund. The City's agency fund accounts for mayor's court collections that are distributed to various local governments.

### **C. Measurement Focus**

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

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

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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

***D. Basis of Accounting***

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

***Revenues – Exchange and Non-Exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within 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 are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Unearned 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, 2012, but which were levied to finance year 2013 operations, have been recorded as Property Taxes Not Levied to Finance Current Year Operations. Grants and entitlements received before eligibility requirements were met have been recorded as unearned revenue.

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

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance 2013 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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

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

***E. Budgetary Process***

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

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

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

***F. Cash and Cash Equivalents***

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

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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During 2012, investments were limited to nonnegotiable certificates of deposits and a money market account, both of which are reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest is credited to the General Fund and the Street Construction and Maintenance, State Highway, and Permissive Tax Special Revenue Funds. Interest revenue credited to the General Fund during 2012 amounted to \$10,110, which includes \$7,019 assigned from other City funds.

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

***G. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2012, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

***H. Restricted Assets***

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

***I. Capital Assets***

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net 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 one thousand five hundred dollars. The City's infrastructure consists of U.S. and State roads which the City maintains, City streets, street signals, and water and sewer systems. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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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.

***J. Compensated Absences***

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

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

***K. Contributions of Capital***

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

***L. Fund Balance***

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

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

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

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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

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

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

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

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

**M. Interfund Activity**

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

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

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

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

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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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, notes, and capital leases are recognized as a liability on the governmental fund financial statements when due.

***O. Estimates***

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

***P. Net Position***

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes activities related to the Mayor's court, the City's law enforcement, and unspent grant proceeds.

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



**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2012

**Note 3 - Fund Balances**

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

Fund Balances	General Fund	Street Levy	Grants	Aquatic Center	Capital Improvements	Other Governmental Funds	Total
Nonspendable:							
Unclaimed Monies	\$21,030	\$383	\$0	\$803	\$0	\$5,666	\$27,882
Prepays	20,362	0	0	0	0	0	20,362
<i>Total Nonspendable</i>	<u>41,392</u>	<u>383</u>	<u>0</u>	<u>803</u>	<u>0</u>	<u>5,666</u>	<u>48,244</u>
Restricted for:							
Street Improvements	0	104,957	0	0	0	126,164	\$231,121
Community Environment	0	0	51,773	0	0	0	51,773
Law Enforcement	0	0	0	0	0	15,210	15,210
Drug and Alcohol Enforcement	0	0	0	0	0	41,214	41,214
Recreation	0	0	0	170,492	0	41,885	212,377
Other Purposes	0	0	0	0	0	58,145	58,145
Capital Improvements	0	0	0	0	908,403	0	908,403
<i>Total Restricted</i>	<u>0</u>	<u>104,957</u>	<u>51,773</u>	<u>170,492</u>	<u>908,403</u>	<u>282,618</u>	<u>1,518,243</u>
Assigned to:							
Other Purposes	502,784	0	0	0	0	0	502,784
Unassigned:	719,183	0	0	0	0	0	719,183
<i>Total Fund Balances</i>	<u>\$1,263,359</u>	<u>\$105,340</u>	<u>\$51,773</u>	<u>\$171,295</u>	<u>\$908,403</u>	<u>\$288,284</u>	<u>\$2,788,454</u>

**Note 4 - Budgetary Basis of Accounting**

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

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

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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	(\$240,679)	\$45,065	\$0	\$22,107
Revenue Accruals	24,563	0	36,020	6,651
Expenditure Accruals	(21,750)	(872)	(36,020)	78
Beginning of Year Prepaid Items	27,617	1,276	0	1,255
Beginning of Year Unreported Cash	747	0	0	0
End of Year Prepaid Items	(21,030)	(383)	0	(803)
Encumbrances	(3,240)	0	0	0
Budget Basis	<u>(\$233,772)</u>	<u>\$45,086</u>	<u>\$0</u>	<u>\$29,288</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. 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;

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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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, 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 \$4,324,459 and the bank balance was \$4,334,934. Of the bank balance, \$500,000 was covered by Federal depository insurance and \$3,834,934 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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**Note 6 - Receivables**

Receivables at December 31, 2012, consisted primarily of municipal income taxes, property taxes, accounts (billings for user fees including unbilled utility services), and intergovernmental receivables arising from entitlements and shared revenues.

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

**A. Property Taxes**

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2012 for real and public utility property taxes represents collections of 2011 taxes.

2012 real property taxes were levied after October 1, 2012, on the assessed value as of January 1, 2012, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2012 real property taxes are collected in and intended to finance 2013.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2012 public utility property taxes which became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2012, was \$9.00 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2012 property tax receipts were based are as follows:

Real Property	\$45,220,800
Public Utility Personal Property	<u>3,345,650</u>
Total	<u><u>\$48,566,450</u></u>

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

Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2012, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2012 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

**B. Income Taxes**

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

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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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.

**C. Intergovernmental Receivable**

A summary of intergovernmental receivables follows:

<b>Governmental Activities:</b>	
Estate Tax	\$151,744
Gasoline Tax	51,579
Local Government	34,436
Homestead and Rollback	23,626
Ohio Department of Natural Resources	16,713
Motor Vehicle License Tax	10,117
FEMA Reimbursements	8,156
Miscellaneous	720
<b>Total Governmental Activities</b>	<u>297,091</u>
<b>Business-Type Activities:</b>	
FEMA Reimbursements	<u>12,572</u>
<b>Total Intergovernmental Receivables</b>	<u><u>\$309,663</u></u>

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

**Note 7 - Capital Assets**

Capital asset activity for the year ended December 31, 2012, was as follows:

	Balance at 12/31/11	Additions	Deletions	Balance at 12/31/12
<b>Governmental Activities:</b>				
Capital Assets not being Depreciated:				
Land	\$407,263	\$0	\$0	\$407,263
Depreciable Capital Assets:				
Land Improvements	1,451,448	37,977	0	1,489,425
Buildings and Improvements	3,221,124	14,420	0	3,235,544
Furniture, Fixtures, and Equipment	870,736	85,805	(8,955)	947,586
Vehicles	1,549,564	26,223	(118,252)	1,457,535
U.S and State Roads	7,203,622	29,996	0	7,233,618
City Streets	6,198,884	0	0	6,198,884
Street Signals	685,913	0	0	685,913
<b>Total Depreciable Capital Assets</b>	<b>21,181,291</b>	<b>194,421</b>	<b>(127,207)</b>	<b>21,248,505</b>
Less Accumulated Depreciation:				
Land Improvements	(199,390)	(53,840)	0	(253,230)
Buildings and Improvements	(926,853)	(79,910)	0	(1,006,763)
Furniture, Fixtures, and Equipment	(591,891)	(39,456)	7,887	(623,460)
Vehicles	(993,467)	(103,484)	118,252	(978,699)
U.S. and State Roads	(3,365,262)	(240,621)	0	(3,605,883)
City Streets	(3,293,148)	(206,630)	0	(3,499,778)
Street Signals	(683,656)	(537)	0	(684,193)
<b>Total Accumulated Depreciation</b>	<b>(10,053,667)</b>	<b>(724,478) *</b>	<b>126,139</b>	<b>(10,652,006)</b>
<b>Total Capital Assets being Depreciated, Net</b>	<b>11,127,624</b>	<b>(530,057)</b>	<b>(1,068)</b>	<b>10,596,499</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$11,534,887</b>	<b>(\$530,057)</b>	<b>(\$1,068)</b>	<b>\$11,003,762</b>

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

General Government	\$24,609
Security of Persons and Property:	
Police	32,311
Fire	65,291
Transportation	488,622
Leisure Time Activities	106,670
Community Environment	6,975
<b>Total Depreciation Expense</b>	<b>\$724,478</b>

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

	Balance at 12/31/11	Additions	Deductions	Balance at 12/31/12
<b>Business-Type Activities:</b>				
Capital Assets not being Depreciated:				
Land	\$155,955		\$0	\$155,955
Construction in Progress	154,647	403,080		557,727
<b>Total Capital Assets not being Depreciated</b>	<b>310,602</b>	<b>403,080</b>	<b>0</b>	<b>713,682</b>
Depreciable Capital Assets:				
Land Improvements	24,752		0	24,752
Furniture, Fixtures, and Equipment	884,744	103,015	(2,573)	985,186
Vehicles	105,927	63,913	(19,000)	150,840
Infrastructure	11,224,516	7,249	0	11,231,765
<b>Total Capital Assets being Depreciated</b>	<b>12,239,939</b>	<b>174,177</b>	<b>(21,573)</b>	<b>12,392,543</b>
Less Accumulated Depreciation:				
Land Improvements	(20,054)	(353)	0	(20,407)
Furniture, Fixtures, and Equipment	(650,811)	(55,227)	1,459	(704,579)
Vehicles	(105,927)	(3,647)	19,000	(90,574)
Infrastructure	(5,428,308)	(287,287)	0	(5,715,595)
<b>Total Accumulated Depreciation</b>	<b>(6,205,100)</b>	<b>(346,514)</b>	<b>20,459</b>	<b>(6,531,155)</b>
<b>Total Capital Assets being Depreciated, Net</b>	<b>6,034,839</b>	<b>(172,337)</b>	<b>(1,114)</b>	<b>5,861,388</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$6,345,441</b>	<b>\$230,743</b>	<b>(\$1,114)</b>	<b>\$6,575,070</b>

**Note 8 - 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 Pension 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 in nature to, but less than, the Traditional Pension 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 Pension 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. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law enforcement and

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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public safety employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in State and local divisions and 12 percent for law enforcement and public safety members. For the year ended December 31, 2012, members in state and local divisions contributed 10 percent of covered payroll while public safety and law enforcement members contributed 11.5 percent and 12.1 percent, respectively. Effective January 1, 2013, the member contribution rates for public safety and law enforcement increased to 12 percent and 12.6 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2012, member and employer contribution rates were consistent across all three plans.

The City's 2012 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 18.10 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4.00 percent for 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2012. Employer contribution rates are actuarially determined.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were \$124,779, \$116,836, and \$106,427, respectively. For 2012, 89.21 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010. There were no member-directed plan contributions for 2012 for the City of Nelsonville.

***B. Ohio Police and Fire Pension Fund***

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code requires plan members to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The City's contributions to OP&F for police and firefighters pension were \$42,390 and \$38,819 for the year ended December 31, 2012, \$49,059 and \$29,837 for the year ended December 31, 2011, and \$44,397 and \$21,717 for the year ended December 31, 2010, respectively. For 2012, 81.57 percent for police and 61.78 percent for firefighters has been contributed with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2011 and 2010.

**Note 9 - Postemployment Benefits**

***A. Ohio Public Employees Retirement System***

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.



**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.10 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent for 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2012. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary.

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

The City’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2010 were \$49,912, \$46,735, and \$54,100, respectively. For 2012, 89.21 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

***B. Ohio Police and Fire Pension Fund***

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

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available of OP&F's website at [www.op-f.org](http://www.op-f.org).

**Funding Policy** – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2012, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$22,442 and \$15,190 for the year ended December 31, 2012, \$25,973 and \$11,676 for the year ended December 31, 2011, and \$23,504 and \$8,498 for the year ended December 31, 2010. For 2012, 81.57 percent has been contributed for police and 61.78 percent has been contributed for firefighters with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2011 and 2010.

**Note 10 - Employee Benefits**

**A. Insurance**

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

The City provides comprehensive major medical insurance through Medical Mutual. Monthly premiums are \$496.86 for single coverage and \$1,676.95 for family coverage. The City pays 90 percent of the total monthly premium for the family coverage. Vision insurance is provided through the Vision Service Plan, Inc. The premiums are \$12.91 for single coverage and \$35.33 for family coverage. Dental insurance is provided through the Guardian Insurance Plans. The premiums are \$33.71 for single coverage and

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

\$125.39 for family coverage. The City pays 90 percent of the premiums for vision, dental, and life insurances for all employees.

**B. Compensated Absences**

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

**Note 11 - Risk Management**

**A. Property and Liability**

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

<u>Property and Liability</u>	<u>Deductible</u>	<u>Coverage</u>
Real Property	\$1,000	\$15,109,181
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	615,856
Wrongful Acts Liability:		
Each Occurrence	10,000	1,000,000
Aggregate Limit	10,000	1,000,000
Vehicles:		
Comprehensive	1,000	1,000,000
Collision	1,000	1,000,000
Employee Dishonesty	250	25,000
Law Enforcement:		
Each Occurrence	10,000	1,000,000
Aggregate Limit	10,000	1,000,000
Umbrella Coverage:		
Each Occurrence	10,000	4,000,000
Aggregate Limit	10,000	4,000,000

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

**B. Workers' Compensation**

For 2012, the City participated in the Ohio Municipal League Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool (see Note 17). 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'

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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 Plan.

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

**Note 12 - Notes Payable**

A summary of the note transactions for the year ended December 31, 2012, follows:

	Principal Outstanding 12/31/11	Additions	Deductions	Principal Outstanding 12/31/12
2011 Aquatic Center Bond Anticipation Notes - 3.00%	\$125,000	\$0	\$125,000	\$0
2012 Aquatic Center Bond Anticipation Notes 3.00%	0	125,000	0	125,000
Total Governmental Activities	<u>\$125,000</u>	<u>\$125,000</u>	<u>\$125,000</u>	<u>\$125,000</u>

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 23, 2012, and matures on February 23, 2013. On February 23, 2013, the City retired this note through aquatic center revenues. The bond anticipation notes were issued for the purpose of acquiring and construction the City's aquatic center

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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

During 2012, 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 the 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	\$23,912	\$42,586
Vehicles	1,054,395	0
Less: Accumulated Depreciation	(715,946)	(22,518)
<b>Total</b>	<b>\$362,361</b>	<b>\$20,068</b>

The following is a schedule of the future minimum lease payments required under the capital lease agreements and the present value of the minimum lease payments as of December 31, 2012:

Year Ending December 31,	Governmental Activities
2013	\$43,616
2014	26,645
2015	18,702
2016	18,702
Total Minimum Lease Payments	107,665
Less: Amount Representing Interest	11,106
Present Value of Net Minimum Lease Payments	<b>\$96,559</b>

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

**Note 14 - Long - Term Obligations**

A schedule of changes in long-term obligations of the City during 2012 follows:

	Principal Outstanding 12/31/11	Additions	Deductions	Principal Outstanding 12/31/12	Amounts Due in One Year
<b>Governmental Activities:</b>					
2011 Aquatic Center Bond					
Anticipation Note - 3.00%	\$125,000	\$0	\$125,000	\$0	\$0
2007 OWDA Adams Street					
Improvements Loan - 2.00%	22,669	0	1,803	20,866	0
2008 OPWC Adams Street					
Improvements Loan - 0%	155,615	0	130,671	24,944	1,517
Capital Leases	172,359	22,306	98,106	96,559	38,469
Police and Fire Pension Liability	69,371	0	1,772	67,599	1,848
Compensated Absences	59,028	13,483	12,035	60,476	18,134
<b>Total Governmental Activities</b>	<b>\$604,042</b>	<b>\$35,789</b>	<b>\$369,387</b>	<b>\$270,444</b>	<b>\$59,968</b>
<b>Business-Type Activities:</b>					
OWDA Loans:					
1989 Sewer Improvements Loan - 8.26%	\$184,284	\$0	\$88,488	\$95,796	\$95,796
1998 Sylvania Avenue Sewer Loan - 2.20%	209,550	0	30,331	179,219	31,002
2002 Sewer Digester Loan - 2.20%	525,233	0	47,504	477,729	48,555
2002 State Route 33 Sewer Improvements Loan - 2.00%	181,303	0	14,171	167,132	14,600
2007 Adams Street Sewer Improvements Loan - 2.00%	144,132	0	11,240	132,892	0
2002 Water Improvements Loan - 2.00%	164,879	0	12,887	151,992	13,146
2007 Adams Street Water Improvements Loan - 2.00%	140,204	0	10,999	129,205	0
2010 Water Treatment Plant Loan - 4.35%	136,612	65,604	202,216	0	0
2012 Water Treatment Plant Loan - 1.98%	0	252,277	0	252,277	0
<b>Total OWDA Loans</b>	<b>1,686,197</b>	<b>317,881</b>	<b>417,836</b>	<b>1,586,242</b>	<b>203,099</b>
OPWC Loans:					
2008 Adams Street Sewer Improvements Loan - 0%	106,856	65,304	9,453	162,707	9,453
2008 Adams Street Water Improvements Loan - 0%	104,641	63,850	9,251	159,240	9,251
2011 Water Booster Station Improvement Loan - 0%	20,000	0	333	19,667	667
2012 Water Treatment Plant Loan Loan - 0%	0	40,536	0	40,536	0
<b>Total OPWC Loans</b>	<b>231,497</b>	<b>169,690</b>	<b>19,037</b>	<b>382,150</b>	<b>19,371</b>
Compensated Absences	56,655	6,402	15,476	47,581	16,706
<b>Total Business-Type Activities</b>	<b>\$1,974,349</b>	<b>\$493,973</b>	<b>\$452,349</b>	<b>\$2,015,973</b>	<b>\$239,176</b>

The 2007 OWDA Adams Street Improvement Loan, authorized in the amount of \$43,599, is being used to

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

finance street improvements. The loan activity is reflected in the Street Construction and Maintenance Special Revenue Fund which received the proceeds. The loan has been fully drawn down, but no amortization schedule has been established.

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

Principal requirements to retire the OPWC Adams Street Improvement Loan liability at December 31, 2012, are as follows:

Year Ended December 31,	Principal
2013	\$1,517
2014	1,517
2015	1,517
2016	1,517
2017	1,517
2018-2022	7,585
2023-2027	6,854
2028-2030	2,920
	<u>\$24,944</u>

Principal and interest requirements to retire the Police Pension liability at December 31, 2011, are as follows:

Year Ended December 31,	Principal	Interest	Total
2013	\$1,848	\$2,853	\$4,701
2014	1,928	2,773	4,701
2015	2,011	2,690	4,701
2016	2,096	2,605	4,701
2017	2,187	2,514	4,701
2018-2022	12,424	11,084	23,508
2023-2027	15,333	8,177	23,510
2028-2032	18,922	4,588	23,510
2033-2035	10,850	693	11,543
	<u>\$67,599</u>	<u>\$37,977</u>	<u>\$105,576</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 and vacation leave liabilities will be paid from the General Fund, the Street Levy Special Revenue Fund, and the Water and Sewer Enterprise Funds. Capital lease obligations are paid from general property tax revenues from the General Fund and Street Levy Special Revenue Fund.

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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The 1989 OWDA Sewer Improvement Loan, originally obtained in the amount of \$1,078,837; the 1998 OWDA Sylvania Avenue Sewer Loan, originally obtained in the amount of \$479,200; the 2002 OWDA Sewer Digester Loan, originally obtained in the amount of \$947,127; and the 2002 OWDA State Route 33 Sewer Improvements Loan, originally obtained for \$290,971, represents amounts borrowed for the purpose of improving the sewer system and will be repaid from charges for services in the Sewer Enterprise Fund.

The 2007 OWDA Adams Street Sewer Improvement Loan, authorized in the amount of \$282,023, is being used to finance sewer line extensions and improvements. The loan activity is reflected in the Sewer Enterprise Fund which received the proceeds and will repay the debt. The loan has been fully drawn down, but 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 from charges for services in the Water Enterprise Fund.

The 2007 OWDA Adams Street Water Improvement Loan, authorized in the amount of \$274,604, is being used to finance water line extensions and improvements. The loan activity is reflected in the Water Enterprise Fund which received the proceeds and will repay the debt. The loan has been fully drawn down, but no amortization schedule has been established.

Principal and interest requirements to retire OWDA loan liabilities at December 31, 2012, are as follows:

Year Ended December 31,	Principal	Interest	Total
2013	\$203,099	\$28,033	\$231,132
2014	109,474	17,948	127,422
2015	111,839	15,583	127,422
2016	114,254	13,168	127,422
2017	116,722	10,700	127,422
2018-2022	399,869	39,337	439,206
2023	16,611	9,175	25,786
	<u>\$1,071,868</u>	<u>\$133,944</u>	<u>\$1,205,812</u>

The 2010 OWDA Water Treatment Plant Loan, authorized in the amount of \$200,000, is being used to finance the planning and design phases for a new water treatment plant. The loan was paid off with proceeds from the 2012 Water Treatment Plant loan.

The 2012 OWDA Water Treatment Plant Loan, authorized in the amount of \$4,493,583, has not been fully drawn and repayment is not required at this time.

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

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



**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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

Principal requirements to retire OPWC Loan liability at December 31, 2012, are as follows:

Year Ended December 31,	Principal
2013	\$19,371
2014	19,371
2015	19,371
2016	19,371
2017	19,371
2018-2022	96,855
2023-2027	96,855
2028-2032	44,722
2033-2037	3,335
2038-2042	2,992
	\$341,614

The City has pledged future sewer customer revenues to repay \$1,052,768 in outstanding sewer system OWDA loans obtained in 1989, 1998, 2002, and 2007. The loans are payable solely from sewer customer net revenues and are payable through 2030. 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 86 percent of net revenues in future years. The total principal and interest remaining to be paid on the loans are \$1,165,757. Principal and interest payments for the current year were \$228,193, net revenues were \$265,221, and total revenues were \$1,020,258.

The City has pledged future water customer revenues to repay \$281,197 in water system OWDA loans obtained in 2002, 2007, and 2010. The loans are payable solely from water customer net revenues and are payable through 2042. Net revenues include all revenues received by the water utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loans are expected to require less than 78 percent of net revenues in future years. The total principal and interest remaining to be paid on the loans are \$321,252. Principal and interest payments for the current year were \$38,483, net revenues were \$49,289, and total revenues were \$1,043,501.

The City's overall legal debt margin was \$4,879,209 at December 31, 2012.

**Note 15 - Contractual Commitments**

As of December 31, 2012, the City had the following contractual commitments:

Project	Fund	Contract Amount	Amount Expended	Balance at 12/31/2012
Water Treatment Plant	Water	\$4,220,000	\$431,267	\$3,788,733

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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**Note 16 - Jointly Governed Organizations**

**A. Athens County Regional Planning Commission**

The Athens County Regional Planning Commission was formed to influence favorably the future economic, physical, and social development of Athens County. Membership is composed of the three Athens County Commissioners, one representative from each of the participating municipalities, including the City of Nelsonville, and one representative for every five thousand County residents appointed by the County Commissioners. The Commission is not dependent upon the City of Nelsonville for its continued existence. In 2012, the City did not make any contributions to the Commission.

**B. Athens County Economic Development Council**

The Athens County Economic Development Council was formed to promote economic development in Athens County through the initiation, promotion, and the development of support programs that assists individuals and business in establishing, retaining, expanding, and locating in Athens County. Membership is composed of representatives from the City of Nelsonville, the City of Athens, the Athens County Commission, Ohio University, Hocking College, the Athens County Port Authority, and the Athens County Community Improvement Corporation. The Council is not dependent on the City of Nelsonville for its continued existence. In 2012, the City made \$10,000 in contributions to the Council.

**Note 17 - Insurance Purchasing Pool**

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

**Note 18 - Contingent Liabilities**

**A. Grants**

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2012.

**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.

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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**Note 19 – Changes in Accounting Principles**

For 2012, the City implemented Governmental Accounting Standard Board (GASB) Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position” and Statement No. 65, “Items Previously Reported as Assets and Liabilities.” GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. GASB Statement No. 65, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. There was no effect on beginning net position/fund balance.

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

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

We have audited 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, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Nelsonville, Athens County, Ohio (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 27, 2013. We also noted that the Authority adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

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

### **Compliance and Other Matters**

As part of 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 grant agreements, 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

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

June 27, 2013

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# Dave Yost • Auditor of State

**CITY OF NELSONVILLE**

**ATHENS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 27, 2013**