



CITY OF NELSONVILLE, OHIO

Regular Audit

For the Year Ended December 31, 2007

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS





Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Nelsonville, Athens County, prepared by J.L. Uhrig and Associates, Inc., for the audit period January 1, 2007 through December 31, 2007. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 5, 2010

This page intentionally left blank

CITY OF NELSONVILLE
ATHENS COUNTY, OHIO
Table of Contents
For the Year Ended December 31, 2007

Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
<u>Government-wide Financial Statements:</u>	
Statement of Net Assets	13
Statement of Activities	14
<u>Fund Financial Statements:</u>	
Balance Sheet - Governmental Funds	16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budget Basis)	
General Fund	20
Street Levy Fund	21
Grants Fund	22
Aquatic Center Fund	23
Statement of Fund Net Assets - Enterprise Funds	24
Statement of Revenues, Expenses and Changes in Net Assets - Enterprise Funds	25
Statement of Cash Flows - Enterprise Funds	26
Statement of Fiduciary Assets and Liabilities - Agency Fund	27
Notes to the Basic Financial Statements	28

CITY OF NELSONVILLE
ATHENS COUNTY, OHIO
Table of Contents
For the Year Ended December 31, 2007

Independent Accountant's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards	53
Schedule of Findings	55

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Nelsonville, Ohio, (the City) as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparisons for the General, Street Levy, Grants and Aquatic Center Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2007, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*; GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, and GASB Statement No. 50, *Pension Disclosures*.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 17, 2009 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. While we do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering the results of our audit.

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

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

J.L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

December 17, 2009

This Page is Intentionally Left Blank.

City of Nelsonville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

The discussion and analysis of the City of Nelsonville's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2007. 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 2007 are as follows:

- In total, net assets decreased \$106,487. Net assets of governmental activities decreased \$63,936, less than one percent from 2006. Net assets of business-type activities decreased \$42,551, which represents a decrease from 2006 of less than one percent.
- In total, cash and cash equivalents increased \$161,706 or 3.98 percent. Total cash and cash equivalents of governmental activities increased \$303,567 or 10.49 percent, while cash and cash equivalents in our business-type activities decreased \$141,861 or 12.08 percent.
- Overall, capital assets increased \$438,480. Total capital assets of governmental activities decreased \$77,253 or less than one percent. Capital assets of business-type activities increased \$515,733 or 8.61 percent.
- The City has five major funds; the General Fund; the Street Levy, Grants, and Aquatic Center Special Revenue Funds; and Capital Improvements Capital Projects Fund. The General Fund had \$1,687,440 in revenues and \$1,397,963 in expenditures. The General Fund's net asset balance increased \$289,477. The Street Levy Fund had \$200,031 in revenues and \$218,310 in expenditures. The Street Levy Fund's net asset balance decreased by \$18,079. The Grants Fund had \$321,866 in revenues and \$471,105 in expenditures. The Grants Fund's net asset balance decreased \$149,239. The Aquatic Center Fund had \$320,552 in revenues and \$310,963 in expenditures. The Aquatic Center Fund's net asset balance increased \$9,589. The Capital Improvements Fund had \$254,079 in revenues and \$492,447 in expenditures. The Capital Improvements Fund's net asset balance decreased \$39,638.
- The City has three business-type activities: the Water, Sewer, and Parking Meter Funds. The Water Fund had \$966,426 in operating revenues and \$1,072,054 in operating expenses. The Water Fund's net asset balance decreased \$115,855. The Sewer Fund had \$1,015,980 in operating revenues and \$873,108 in operating expenses. The Sewer Fund's net asset balance increased \$80,562. The Parking Meter Fund had \$19,246 in operating revenues and \$26,504 in operating expenses. The Parking Meters Fund's net asset balance decreased \$7,258.

USING THIS ANNUAL FINANCIAL REPORT

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

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

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

City of Nelsonville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Reporting the City of Nelsonville as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" The Statement of Net Assets and Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

City of Nelsonville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

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.

Fiduciary Fund The City accounts for resources held for the benefit of parties outside the government as a fiduciary fund. This fund is not reflected in the government-wide financial statements because the resources of this fund are not available to support the City's own programs. The City uses accrual accounting for fiduciary funds, much like that of the proprietary funds.

THE CITY OF NELSONVILLE AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the City as a whole. Table 1 provides a summary of the City's net assets for 2007 compared to 2006.

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	Restated 2006	2007	2006
Assets						
Current and Other Assets	\$4,230,603	\$4,256,613	\$1,345,188	\$1,804,218	\$5,575,791	\$6,060,831
Capital Assets, Net	10,961,457	11,038,710	6,505,832	5,990,099	17,467,289	17,028,809
<i>Total Assets</i>	<u>15,192,060</u>	<u>15,295,323</u>	<u>7,851,020</u>	<u>7,794,317</u>	<u>23,043,080</u>	<u>23,089,640</u>
Liabilities						
Current and Other Liabilities	641,702	661,288	333,837	227,924	975,539	889,212
Long-Term Liabilities:						
Due within One Year	102,334	72,201	261,427	240,885	363,761	313,086
Due in More than One Year	1,133,824	1,183,698	2,033,769	2,060,971	3,167,593	3,244,669
<i>Total Liabilities</i>	<u>1,877,860</u>	<u>1,917,187</u>	<u>2,629,033</u>	<u>2,529,780</u>	<u>4,506,893</u>	<u>4,446,967</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	9,721,518	9,788,527	4,715,153	3,727,345	14,436,671	13,515,872
Restricted for:						
Unclaimed Monies	14,936	13,284	0	0	14,936	13,284
Other Purposes	179,175	558,678	0	0	179,175	558,678
Capital Projects	1,122,669	1,137,382	0	0	1,122,669	1,137,382
Streets	505,861	494,221	0	0	505,861	494,221
Parks	292,920	267,992	0	0	292,920	267,992
Unrestricted	1,477,121	1,118,052	506,834	1,537,192	1,983,955	2,655,244
<i>Total Net Assets</i>	<u>\$13,314,200</u>	<u>\$13,378,136</u>	<u>\$5,221,987</u>	<u>\$5,264,537</u>	<u>\$18,536,187</u>	<u>\$18,642,673</u>

Total governmental activities assets decreased \$103,263. Cash and cash equivalents increased \$303,567, a result of the City's continued emphasis on reducing spending. Capital assets decreased \$77,253. This decrease in capital assets is due to depreciation expenses that exceeded current year additions. The City's total governmental activities receivables decreased \$299,887. This decrease in receivables is due to decreases in amounts receivable from other governments, as well as a decrease in property taxes receivable due to the expiration of the City's street light levy.

City of Nelsonville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Total governmental activities liabilities decreased \$39,327. Current and other liabilities decreased \$19,586. This is the result of decreases in deferred revenue and accrued interest payable offset by increases to accrued wages, amounts payable to other governments, contracts payable, and accounts payable. Long-term liabilities decreased \$49,874 as the City made required debt service payments greater than new debt issues.

Total business-type activities assets increased \$56,703. Cash and cash equivalents decreased \$141,861, as capital assets increased \$515,733. The decrease in cash is attributable to increased personal service and fringe benefit costs, along with an increase in capital assets. The increase in capital assets of business-type activities is primarily due to infrastructure additions. The City's total business-type activities receivables decreased \$315,989. This decrease is the result of the City receiving grant money from Community Development Block Grant funds that were receivable in 2006..

For business-type activities, current and other liabilities increased \$105,913. This increase is primarily due to an increase in contracts payable and retainage payable. Long-term liabilities decreased \$6,660 as the City made its required debt service payments.

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

City of Nelsonville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

(Table 2)
 Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	Restated 2006	2007	2006
Revenues						
Program Revenues						
Charges for Services	\$196,448	\$192,462	\$1,990,461	\$1,822,642	\$2,186,909	\$2,015,104
Operating Grants, Contributions and Interest	205,527	236,621	0	0	205,527	236,621
Capital Grants and Contributions	88,131	536,172	12,150	346,928	100,281	883,100
<i>Total Program Revenues</i>	<u>490,106</u>	<u>965,255</u>	<u>2,002,611</u>	<u>2,169,570</u>	<u>2,492,717</u>	<u>3,134,825</u>
General Revenues						
Property Taxes	416,544	476,562	0	0	416,544	476,562
Income Taxes	1,616,005	1,409,711	0	0	1,616,005	1,409,711
Other Taxes	8,149	0	0	0	8,149	0
Grants and Entitlements	178,824	182,814	0	0	178,824	182,814
Interest	183,392	162,281	9	8	183,401	162,289
Other	34,473	34,849	11,191	1,477	45,664	36,326
<i>Total General Revenues</i>	<u>2,437,387</u>	<u>2,266,217</u>	<u>11,200</u>	<u>1,485</u>	<u>2,448,587</u>	<u>2,267,702</u>
Total Revenues	<u>2,927,493</u>	<u>3,231,472</u>	<u>2,013,811</u>	<u>2,171,055</u>	<u>4,941,304</u>	<u>5,402,527</u>
Program Expenses						
General Government	403,496	345,756	0	0	403,496	345,756
Security of Persons and Property:						
Police	674,306	650,671	0	0	674,306	650,671
Fire	401,007	350,428	0	0	401,007	350,428
Public Health Services	0	2,151	0	0	0	2,151
Transportation	1,188,471	787,496	0	0	1,188,471	787,496
Leisure Time Activities	253,321	238,681	0	0	253,321	238,681
Community Environment	15,483	33,591	0	0	15,483	33,591
Interest and Fiscal Charges	55,345	44,737	0	0	55,345	44,737
Water	0	0	1,092,790	935,376	1,092,790	935,376
Sewer	0	0	937,068	941,078	937,068	941,078
Parking Meter	0	0	26,504	23,840	26,504	23,840
<i>Total Program Expenses</i>	<u>2,991,429</u>	<u>2,453,511</u>	<u>2,056,362</u>	<u>1,900,294</u>	<u>5,047,791</u>	<u>4,353,805</u>
<i>Increase in Net Assets</i>	<u>(63,936)</u>	<u>777,961</u>	<u>(42,551)</u>	<u>270,761</u>	<u>(106,487)</u>	<u>1,048,722</u>
<i>Net Assets at Beginning of Year</i>	<u>13,378,136</u>	<u>12,600,175</u>	<u>5,264,538</u>	<u>4,993,776</u>	<u>18,642,674</u>	<u>17,593,951</u>
<i>Net Assets at End of Year</i>	<u>\$13,314,200</u>	<u>\$13,378,136</u>	<u>\$5,221,987</u>	<u>\$5,264,537</u>	<u>\$18,536,187</u>	<u>\$18,642,673</u>

City of Nelsonville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Governmental Activities

Program revenues accounted for 16.74 percent of total revenues for governmental activities in 2007. The amount of program revenues increased \$475,149 from 2006. This decrease is due to all of the grant funding for the Adams, Cross, and Love Streets Reconstruction and Rehabilitation project being received and recognized in 2006. Governmental activities services are primarily funded through general revenues, those basically being property taxes, income taxes, and State shared revenues. These revenue sources make up 90.72 percent of general revenues and over 75 percent of total revenues. In total, the City's general revenues increased during 2007, but property tax revenue decreased. The increase in total revenue is due to an increase in income tax and interest revenue. Property tax revenues declined due to a decrease in the City's property valuation.

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

Governmental expenses decreased \$537,918. Security of persons and property is a major activity of the City, representing 36 percent of the governmental expenses, a 5 percent decrease from the prior year. During 2007, expenses for police and fire operations amounted to \$674,306 and \$401,007, respectively. Expenses in the police department increased \$23,635, which is attributable to pay increases and the continued increase in the cost of fuel. Fire expenses increased \$50,579 or 14.4 percent. 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 to enable the department to widen the scope of its activity. The fire department and its employees continue to work hand in hand with the City to limit costs to the taxpayer.

Transportation activities of the City accounted for more than 39.7 percent of governmental expenses. This is an increase of \$400,975. This is due to increased maintenance expenses, the City contracting out street sweeping operations, and continued increases in depreciation expense.

General government, aquatic center, community environment, and interest and fiscal charges account for the remaining 24 percent of governmental expenditures.

Business-Type Activities

The City's water and sewer operations account for 99 percent of the expenses for the City's business-type activities and are funded almost entirely from charges for services. During 2007, program expenses exceeded program revenues by \$53,750 for all business-type activities.

The City's water and sewer departments continued to operate with reasonable water and sewer rates. The minimum water and sewer rates are \$8.46 and \$10.20, respectively, for the first 1,500 gallons. Water and sewer rates for two surrounding communities are \$9.89 and \$7.57 for water and \$9.62 and \$9.66 for sewer.

THE CITY'S FUNDS

The City's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$3,053,120 and expenditures of \$3,146,055.

The fund balance of the General Fund increased \$289,447. The General Fund's unreserved fund balance of \$1,341,121 represented 95.93% of current year expenditures. Most of this balance remains in the City's treasury.

The fund balance of the Street Levy Special Revenue Fund decreased \$18,079. The Street Levy Fund's unreserved fund balance of \$47,062 represented 21.55% of current year expenditures.

City of Nelsonville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

The fund balance of the Grants Special Revenue Fund increased \$149,239 and has an unreserved fund deficit of \$300,909. This was due to the encumbrances being established for the street projects, most of which will be completed in 2008.

The fund balance of the Aquatic Center Special Revenue Fund decreased \$9,589. The Aquatic Center Fund's unreserved fund balance of \$92,943 represented 29.88% of current year expenditures.

The fund balance of the Capital Improvements Capital Projects fund decreased \$39,638. The Capital Improvement Fund's unreserved fund balance of \$1,042,312 represented 211% of current year expenditures.

The net asset balance of the Water Enterprise fund decreased \$115,854. The Water Fund's unrestricted net assets balance of \$463,285 represented 43.21% of current year expenditures.

The net asset balance of the Sewer Enterprise fund increased \$80,562. The Sewer Fund's unrestricted net assets balance of \$508,720 represented 58.27% of current year expenditures.

The net asset balance of the Parking Meter Enterprise fund decreased \$7,258. The Parking Meter Fund's unrestricted net assets balance of \$2,016 represented 7.60% of current year expenditures.

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 2007, the City amended the General Fund budget several times. Income tax revenue estimates were increased by \$150,000, interest revenue estimates were increased by \$70,000, and the remaining revenue source estimates were increased a total of \$30,000, and appropriations increased overall by \$122,393. Actual revenues were below estimates by \$25,067, and actual expenditures were below estimated expenditures by \$119,304. The revisions to estimated revenues and appropriations, as well as, the differences between estimated and actual revenues, were due to conservative original estimates and increases in income tax revenues which were not forecasted. 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.

City of Nelsonville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

(Table 3)

Capital Assets at December 31, 2007

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$407,263	\$407,263	\$155,955	\$155,955	\$563,218	\$563,218
Construction in Progress	575,957	166,960	139,838	32,979	715,795	199,939
Land Improvements	178,842	189,155	6,109	6,657	184,951	195,812
Buildings and Improvements	2,413,914	2,429,407	0	0	2,413,914	2,429,407
Furniture, Fixtures, and Equipment	264,725	273,563	273,870	266,147	538,595	539,710
Vehicles	593,591	431,440	19,646	32,232	613,237	463,672
Infrastructure:						
U.S. and State Roads	5,171,884	5,532,065	0	0	5,171,884	5,532,065
City Streets	1,044,959	1,268,621	0	0	1,044,959	1,268,621
Street Signals	310,322	340,236	0	0	310,322	340,236
Water System	0	0	2,451,731	2,236,510	2,451,731	2,236,510
Sewer System	0	0	3,458,683	3,259,619	3,458,683	3,259,619
Totals	\$10,961,457	\$11,038,710	\$6,505,832	\$5,990,099	\$17,467,289	\$17,028,809

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

Debt

By year end, the City had one bond issue, as well as various loans and capital leases payable at December 31, 2007, totaling \$3,574,438 of which \$329,971 is due within one year. The City's only outstanding bond is for water system improvements. In addition, the City has eight Ohio Water Development Authority Loans outstanding, five for sewer system improvements and expansion, and two for water system improvements, and one for street improvements; a bond anticipation note used for the construction of the City's aquatic center; police and fire pensions liabilities, and various leases for vehicles and office equipment.

(Table 4)

Outstanding Debt at December 31, 2007

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Water General Obligation						
Bonds	\$0	\$0	\$145,000	\$210,000	\$145,000	\$210,000
OWDA Loans	10,953	0	2,090,695	2,022,795	2,101,648	2,022,795
Bond Anticipation Note	750,000	875,000	0	0	750,000	875,000
Capital Leases	478,986	375,183	22,171	29,959	501,157	405,142
Police Pension Liability	75,759	77,195	0	0	75,759	77,195
Fire Pension Liability	874	891	0	0	874	891
Totals	\$1,316,572	\$1,328,269	\$2,257,866	\$2,262,754	\$3,574,438	\$3,591,023

City of Nelsonville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

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

The City's overall legal debt margin was \$3,544,648 at December 31, 2007. For additional information on the City's debt, see Note 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 Aileen Lehman, Nelsonville City Auditor, 211 Lake Hope Drive, Nelsonville, Ohio 45764.

City of Nelsonville, Ohio
Statement of Net Assets
December 31, 2007

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$3,196,979	\$1,032,167	\$4,229,146
Cash and Cash Equivalents with Fiscal Agents	0	219	219
Intergovernmental Receivable	348,518	0	348,518
Property Taxes Receivable	359,090	0	359,090
Income Taxes Receivable	304,993	0	304,993
Accounts Receivable	3,800	293,033	296,833
Prepaid Items	17,223	19,769	36,992
Nondepreciable Capital Assets	983,220	295,793	1,279,013
Depreciable Capital Assets, Net	9,978,237	6,210,039	16,188,276
<i>Total Assets</i>	<u>15,192,060</u>	<u>7,851,020</u>	<u>23,043,080</u>
Liabilities			
Accounts Payable	42,247	47,714	89,961
Contracts Payable	11,430	80,053	91,483
Retainage Payable	0	30,070	30,070
Accrued Wages Payable	32,199	22,215	54,414
Accrued Interest Payable	25,695	36,941	62,636
Deferred Revenue	317,771	0	317,771
Intergovernmental Payable	87,360	43,310	130,670
Notes Payable	125,000	0	125,000
Customer Deposits Payable	0	73,534	73,534
Long-Term Liabilities:			
Due within One Year	102,334	261,427	363,761
Due in More than One Year	1,133,824	2,033,769	3,167,593
<i>Total Liabilities</i>	<u>1,877,860</u>	<u>2,629,033</u>	<u>4,506,893</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	9,721,518	4,715,153	14,436,671
Restricted for:			
Unclaimed Monies	14,936	0	14,936
Streets	505,861	0	505,861
Parks	292,920	0	292,920
Capital Projects	1,122,669	0	1,122,669
Other Purposes	179,175	0	179,175
Unrestricted	1,477,121	506,834	1,983,955
<i>Total Net Assets</i>	<u>\$13,314,200</u>	<u>\$5,221,987</u>	<u>\$18,536,187</u>

See accompanying notes to the basic financial statements

City of Nelsonville, Ohio
Statement of Activities
For the Year Ended December 31, 2007

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities				
General Government	\$403,496	\$2,944	\$0	\$0
Security of Persons and Property:				
Police	674,306	89,508	0	0
Fire	401,007	1,511	0	0
Public Health Services	0	0	0	0
Transportation	1,188,471	0	200,216	0
Leisure Time Activities	253,321	102,485	1,911	0
Community Environment	15,483	0	3,400	88,131
Interest and Fiscal Charges	55,345	0	0	0
<i>Total Governmental Activities</i>	<u>2,991,429</u>	<u>196,448</u>	<u>205,527</u>	<u>88,131</u>
Business-Type Activities				
Water	1,092,790	955,455	0	10,500
Sewer	937,068	1,015,760	0	1,650
Parking Meter	26,504	19,246	0	0
<i>Total Business-Type Activities</i>	<u>2,056,362</u>	<u>1,990,461</u>	<u>0</u>	<u>12,150</u>
Totals	<u>\$5,047,791</u>	<u>\$2,186,909</u>	<u>\$205,527</u>	<u>\$100,281</u>

General Revenues

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

Total General Revenues

Change in Net Assets

Net Assets at Beginning of Year

Net Assets at End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(\$400,552)	\$0	(\$400,552)
(584,798)	0	(584,798)
(399,496)	0	(399,496)
0	0	0
(988,255)	0	(988,255)
(148,925)	0	(148,925)
76,048	0	76,048
(55,345)	0	(55,345)
(2,501,323)	0	(2,501,323)
0	(126,835)	(126,835)
0	80,342	80,342
0	(7,258)	(7,258)
0	(53,751)	(53,751)
(2,501,323)	(53,751)	(2,555,074)
156,076	0	156,076
186,576	0	186,576
56,174	0	56,174
17,718	0	17,718
1,108,951	0	1,108,951
231,914	0	231,914
275,140	0	275,140
8,149	0	8,149
178,824	0	178,824
183,392	9	183,401
34,473	11,191	45,664
2,437,387	11,200	2,448,587
(63,936)	(42,551)	(106,487)
13,378,136	5,264,538	18,642,674
<u>\$13,314,200</u>	<u>\$5,221,987</u>	<u>\$18,536,187</u>

City of Nelsonville, Ohio

Balance Sheet

Governmental Funds

December 31, 2007

	<u>General</u>	<u>Street Levy</u>	<u>Grants</u>	<u>Aquatic Center</u>	<u>Capital Improvements</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$1,421,904	\$71,437	\$5,085	\$214,428	\$1,044,233
Restricted Assets: Cash and Cash Equivalents	14,936	0	0	0	0
Receivables:					
Property Taxes	158,575	183,109	0	0	0
Income Taxes	182,996	0	0	43,570	78,427
Accounts	3,625	0	0	0	0
Intergovernmental	96,320	14,090	162,889	0	0
Prepaid Items	12,257	820	0	1,213	222
Total Assets	<u>\$1,890,613</u>	<u>\$269,456</u>	<u>\$167,974</u>	<u>\$259,211</u>	<u>\$1,122,882</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$25,195	\$7,175	\$486	\$1,078	\$0
Contracts Payable	0	0	11,217	0	213
Accrued Wages Payable	26,177	6,022	0	0	0
Intergovernmental Payable	73,540	10,998	0	2,762	0
Deferred Revenue	398,007	197,199	162,889	37,416	67,350
Notes Payable	0	0	0	125,000	0
Total Liabilities	<u>522,919</u>	<u>221,394</u>	<u>174,592</u>	<u>166,256</u>	<u>67,563</u>
Fund Balances					
Reserved for Encumbrances	11,637	1,000	294,291	12	13,007
Reserved for Unclaimed Monies	14,936	0	0	0	0
Unreserved, Undesignated, Reported in:					
General Fund	1,341,121	0	0	0	0
Special Revenue Funds (Deficit)	0	47,062	(300,909)	92,943	0
Capital Projects Fund	0	0	0	0	1,042,312
Total Fund Balances	<u>1,367,694</u>	<u>48,062</u>	<u>(6,618)</u>	<u>92,955</u>	<u>1,055,319</u>
Total Liabilities and Fund Balances	<u>\$1,890,613</u>	<u>\$269,456</u>	<u>\$167,974</u>	<u>\$259,211</u>	<u>\$1,122,882</u>

See accompanying notes to the basic financial statements

City of Nelsonville, Ohio
*Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
December 31, 2007*

Other Governmental Funds	Total Governmental Funds		
\$424,956	\$3,182,043		
0	14,936		
17,406	359,090		
0	304,993		
175	3,800		
75,219	348,518		
2,711	17,223		
\$520,467	\$4,230,603		
		Total Governmental Fund Balances \$2,991,851	
		<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
		Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.	10,961,457
		Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:	
		Property Taxes	41,319
		Income Taxes	261,917
		Intergovernmental Revenues	319,509
			622,745
		Long-term liabilities, accrued interest, and vacation benefits that are not due and payable in the current period and therefore are not reported in the funds:	
		Police Pension Payable	(75,759)
		Fire Pension Payable	(874)
		Notes Payable	(635,953)
		Capital Leases Payable	(478,986)
		Accrued Interest Payable	(25,695)
		Compensated Absences	(44,586)
			(1,261,853)
		Net Assets of Governmental Activities	\$13,314,200
\$8,313	\$42,247		
0	11,430		
0	32,199		
60	87,360		
77,655	940,516		
0	125,000		
86,028	1,238,752		
9,303	329,250		
0	14,936		
0	1,341,121		
425,136	264,232		
0	1,042,312		
434,439	2,991,851		
\$520,467	\$4,230,603		

City of Nelsonville, Ohio
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	General	Street Levy	Grants	Aquatic Center	Capital Improvements
Revenues					
Property Taxes	\$150,503	\$180,014	\$0	\$0	\$0
Income Taxes	1,050,791	0	0	218,067	250,215
Other Local Taxes	8,149	0	0	0	0
Intergovernmental	181,605	16,238	267,766	0	0
Charges for Services	2,082	0	0	102,485	0
Fines, Licenses, and Permits	85,186	0	0	0	0
Interest	183,392	0	0	0	0
Gifts and Donations	0	0	54,100	0	0
Other	25,732	3,979	0	0	3,864
Total Revenues	1,687,440	200,231	321,866	320,552	254,079
Expenditures					
Current:					
General Government	385,887	0	0	0	409
Security of Persons and Property:					
Police	651,708	0	0	0	0
Fire	353,022	0	0	0	0
Public Health Services	0	0	0	0	0
Transportation	0	218,060	0	0	0
Leisure Time Activities	1,020	0	0	152,369	0
Community Environment	3,000	0	486	0	0
Capital Outlay	0	0	470,619	0	376,481
Debt Service:					
Principal Retirement	2,943	220	0	0	91,764
Interest and Fiscal Charges	383	30	0	33,594	23,793
Current Refunding	0	0	0	125,000	0
Total Expenditures	1,397,963	218,310	471,105	310,963	492,447
<i>Excess of Revenues Over (Under) Expenditures</i>	289,477	(18,079)	(149,239)	9,589	(238,368)
Other Financing Sources (Uses)					
Inception of Capital Lease	0	0	0	0	198,730
Proceeds of OWDA Loans	0	0	0	0	0
Issuance of Notes	0	0	0	625,000	0
Current Refunding	0	0	0	(625,000)	0
Total Other Financing Sources (Uses)	0	0	0	0	198,730
Net Change in Fund Balance	289,477	(18,079)	(149,239)	9,589	(39,638)
Fund Balances at Beginning of Year	1,078,217	66,141	142,621	83,366	1,094,957
Fund Balances at End of Year	\$1,367,694	\$48,062	(\$6,618)	\$92,955	\$1,055,319

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, 2007*

Other Governmental Funds	Total Governmental Funds	Net Change in Fund Balances - Total Governmental Funds	\$116,748
\$78,224	\$408,741	Amounts reported for governmental activities in the statement of activities are different because	
0	1,519,073	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:	
0	8,149	Capital Assets Additions	755,280
170,195	635,804	Depreciation Expense	<u>(832,533)</u> (77,253)
0	104,567		
6,695	91,881	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
9,540	192,932	Property Taxes	7,803
3,400	57,500	Income Taxes	96,932
898	34,473	State Shared Revenues	(230,362)
<u>268,952</u>	<u>3,053,120</u>	Charges for Services	0
		Other Revenue	<u>0</u> (125,627)
0	386,296	Repayments of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:	
3,886	655,594	Notes Payable	750,000
0	353,022	Capital Leases Payable	94,927
0	0	Police Pension Payable	1,436
206,865	424,925	Fire Pension Payable	<u>17</u> 846,380
18,137	171,526		
3,300	6,786	In the statement of activities, interest is accrued on outstanding debt, whereas is governmental funds, interest is expended when due.	2,455
23,079	870,179	Other financing sources in the governmental funds that increase long-term liabilities in the statement of net assets are not reported:	
0	94,927	Inception of Capital Leases	(198,730)
0	57,800	Proceeds of Notes	<u>(635,953)</u> (834,683)
0	125,000	Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>8,044</u>
<u>255,267</u>	<u>3,146,055</u>	<i>Change in Net Assets of Governmental Activities</i>	<u><u>(\$63,936)</u></u>
13,685	(92,935)		
0	198,730		
10,953	10,953		
0	625,000		
0	(625,000)		
<u>10,953</u>	<u>209,683</u>		
24,638	116,748		
409,801	2,875,103		
<u>\$434,439</u>	<u>\$2,991,851</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, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$184,100	\$184,100	\$153,231	(\$30,869)
Income Taxes	932,000	1,082,000	1,075,929	(6,071)
Other Local Taxes	10,000	10,000	8,149	(1,851)
Intergovernmental	166,400	166,400	180,706	14,306
Charges for Services	2,200	2,200	2,082	(118)
Fines, Licenses, and Permits	73,290	98,290	90,310	(7,980)
Interest	110,000	180,000	186,597	6,597
Other	20,000	25,000	25,919	919
<i>Total Revenues</i>	<u>1,497,990</u>	<u>1,747,990</u>	<u>1,722,923</u>	<u>(25,067)</u>
Expenditures				
Current:				
General Government	376,146	447,165	388,047	59,118
Security of Persons and Property:				
Police	652,891	678,899	649,013	29,886
Fire	345,153	366,539	346,199	20,340
Public Health Services	5,000	0	0	0
Leisure Time Services	0	2,000	1,020	980
Community and Economic Development	5,000	8,000	3,000	5,000
Transportation	0	3,980	0	3,980
<i>Total Expenditures</i>	<u>1,384,190</u>	<u>1,506,583</u>	<u>1,387,279</u>	<u>119,304</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	113,800	241,407	335,644	94,237
Other Financing Sources				
Advances In	0	0	38	38
<i>Net Change in Fund Balance</i>	113,800	241,407	335,682	94,275
<i>Fund Balance at Beginning of Year</i>	1,052,401	1,052,401	1,052,401	0
Prior Year Encumbrances Appropriated	27,944	27,944	27,944	0
<i>Fund Balance at End of Year</i>	<u>\$1,194,145</u>	<u>\$1,321,752</u>	<u>\$1,416,027</u>	<u>\$94,275</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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$19,600	\$196,600	\$180,014	(\$16,586)
Intergovernmental	16,500	16,500	16,238	(262)
Other	0	0	3,979	3,979
<i>Total Revenues</i>	36,100	213,100	200,231	(12,869)
Expenditures				
Current:				
Transportation	189,402	224,771	218,314	6,457
<i>Net Change in Fund Balance</i>	(153,302)	(11,671)	(18,083)	(6,412)
<i>Fund Balance at Beginning of Year</i>	82,558	82,558	82,558	0
Prior Year Encumbrances Appropriated	2,373	2,373	2,373	0
<i>Fund Balance at End of Year</i>	(\$68,371)	\$73,260	\$66,848	(\$6,412)

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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$666,177	\$666,177	\$367,314	(\$298,863)
Other	0	54,800	54,100	(700)
<i>Total Revenues</i>	<u>666,177</u>	<u>720,977</u>	<u>421,414</u>	<u>(299,563)</u>
Expenditures				
Current:				
Community Environment	0	762,367	765,396	(3,029)
<i>Net Change in Fund Balance</i>	666,177	(96,190)	(398,082)	(302,592)
<i>Fund Balance at Beginning of Year</i>	<u>(422,124)</u>	<u>(422,124)</u>	<u>(422,124)</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>465,197</u>	<u>465,197</u>	<u>465,197</u>	<u>0</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u><u>\$709,250</u></u>	<u><u>(\$53,117)</u></u>	<u><u>(\$355,009)</u></u>	<u><u>(\$302,592)</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)
Aquatic Center Fund
For the Year Ended December 31, 2007*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Income Taxes	\$200,000	\$225,000	\$224,051	(\$949)
Charges for Services	95,575	95,575	102,485	6,910
<i>Total Revenues</i>	<u>295,575</u>	<u>320,575</u>	<u>326,536</u>	<u>5,961</u>
Expenditures				
Current:				
Leisure Time Activities	83,238	154,413	151,532	2,881
Debt Service:				
Principal Retirement	0	985,200	875,000	110,200
Interest and Fiscal Charges	0	37,825	33,594	4,231
<i>Total Expenditures</i>	<u>83,238</u>	<u>1,177,438</u>	<u>1,060,126</u>	<u>117,312</u>
<i>Excess of Revenues Under Expenditures</i>	212,337	(856,863)	(733,590)	123,273
Other Financing Sources				
Proceeds of Notes	750,000	750,000	750,000	0
<i>Net Change in Fund Balance</i>	962,337	(106,863)	16,410	123,273
<i>Fund Balance at Beginning of Year</i>	198,018	198,018	198,018	0
Prior Year Encumbrances Appropriated	0	0	0	0
<i>Fund Balance at End of Year</i>	<u><u>\$1,160,355</u></u>	<u><u>\$91,155</u></u>	<u><u>\$214,428</u></u>	<u><u>\$123,273</u></u>

See accompanying notes to the basic financial statements

City of Nelsonville, Ohio
Statement of Fund Net Assets
Enterprise Funds
December 31, 2007

	Water	Sewer	Parking Meter	Total Enterprise Funds
Assets				
Current :				
Equity in Pooled Cash and Cash Equivalents	\$474,024	\$479,895	\$4,714	\$958,633
Restricted Assets:				
Customer Deposits	44,120	29,414	0	73,534
Cash and Cash Equivalents with Fiscal Agents	219	0	0	219
Accounts Receivable	144,303	148,611	119	293,033
Intergovernmental Receivable	0	0	0	0
Prepaid Items	13,059	6,694	16	19,769
<i>Total Current Assets</i>	<u>675,725</u>	<u>664,614</u>	<u>4,849</u>	<u>1,345,188</u>
Noncurrent:				
Nondepreciable Capital Assets	105,484	190,309	0	295,793
Depreciable Capital Assets, Net	2,573,443	3,636,596	0	6,210,039
<i>Total Noncurrent Assets</i>	<u>2,678,927</u>	<u>3,826,905</u>	<u>0</u>	<u>6,505,832</u>
<i>Total Assets</i>	<u>3,354,652</u>	<u>4,491,519</u>	<u>4,849</u>	<u>7,851,020</u>
Liabilities				
Current:				
Accounts Payable	25,844	21,647	223	47,714
Contracts Payable	77,277	2,776	0	80,053
Accrued Wages and Benefits Payable	13,095	8,494	626	22,215
Accrued Interest Payable	3,143	33,579	0	36,722
Intergovernmental Payable	23,256	18,618	1,436	43,310
Retainage Payable	0	30,070	0	30,070
General Obligation Bonds Payable	70,000	0	0	70,000
OWDA Loans Payable	11,901	149,673	0	161,574
Capital Leases Payable	3,632	3,632	0	7,264
Compensated Absences Payable	12,698	9,891	0	22,589
Accrued Interest Payable from Restricted Assets	219	0	0	219
<i>Total Current Liabilities</i>	<u>241,065</u>	<u>278,380</u>	<u>2,285</u>	<u>521,730</u>
Long-Term:				
General Obligation Bonds Payable	75,000	0	0	75,000
OWDA Loans Payable	271,024	1,658,097	0	1,929,121
Capital Leases Payable	7,453	7,454	0	14,907
Compensated Absences Payable	12,788	1,405	548	14,741
Customer Deposits Payable	44,120	29,414	0	73,534
<i>Total Long-Term Liabilities</i>	<u>410,385</u>	<u>1,696,370</u>	<u>548</u>	<u>2,107,303</u>
<i>Total Liabilities</i>	<u>651,450</u>	<u>1,974,750</u>	<u>2,833</u>	<u>2,629,033</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	2,388,976	2,326,177	0	4,715,153
Unrestricted	314,226	190,592	2,016	506,834
<i>Total Net Assets</i>	<u>\$2,703,202</u>	<u>\$2,516,769</u>	<u>\$2,016</u>	<u>\$5,221,987</u>

See accompanying notes to the basic financial statements

City of Nelsonville, Ohio
*Statement of Revenues, Expenses
and Changes in Fund Net Assets
Enterprise Funds
For the Year December 31, 2007*

	Water	Sewer	Parking Meter	Total Enterprise Funds
Operating Revenues				
Charges for Services	\$955,455	\$1,015,760	\$19,246	\$1,990,461
Other Operating Revenues	10,971	220	0	11,191
<i>Total Operating Revenues</i>	<u>966,426</u>	<u>1,015,980</u>	<u>19,246</u>	<u>2,001,652</u>
Operating Expenses				
Salaries and Wages	302,357	237,793	18,343	558,493
Fringe Benefits	170,680	128,876	5,070	304,626
Contractual Services	292,136	245,430	0	537,566
Materials and Supplies	195,005	64,532	3,061	262,598
Depreciation	111,542	196,477	0	308,019
Other Operating Expenses	334	0	30	364
<i>Total Operating Expenses</i>	<u>1,072,054</u>	<u>873,108</u>	<u>26,504</u>	<u>1,971,666</u>
<i>Operating Income (Loss)</i>	<u>(105,628)</u>	<u>142,872</u>	<u>(7,258)</u>	<u>29,986</u>
Non-Operating Revenues (Expenses)				
Interest Income	9	0	0	9
Interest and Fiscal Charges	(20,736)	(63,960)	0	(84,696)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(20,727)</u>	<u>(63,960)</u>	<u>0</u>	<u>(84,687)</u>
<i>Income (Loss) before Contributions</i>	<u>(126,355)</u>	<u>78,912</u>	<u>(7,258)</u>	<u>(54,701)</u>
Capital Contributions	10,500	1,650	0	12,150
<i>Change in Net Assets</i>	<u>(115,855)</u>	<u>80,562</u>	<u>(7,258)</u>	<u>(42,551)</u>
<i>Net Assets at Beginning of Year</i>	<u>2,819,057</u>	<u>2,436,207</u>	<u>9,274</u>	<u>5,264,538</u>
<i>Net Assets at End of Year</i>	<u>\$2,703,202</u>	<u>\$2,516,769</u>	<u>\$2,016</u>	<u>\$5,221,987</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, 2007

	Water	Sewer	Parking Meter	Total Enterprise Funds
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities:				
Cash Received from Customers	\$932,807	\$1,012,296	\$19,127	\$1,964,230
Cash Payments for Employee Services and Benefits	(471,751)	(365,665)	(23,229)	(860,645)
Cash Payments to Suppliers for Goods and Services	(491,074)	(316,173)	(2,884)	(810,131)
Other Operating Revenues	11,071	320	0	11,391
Other Operating Expenses	(334)	0	0	(334)
Customer Deposits Received	9,510	6,340	0	15,850
Customer Deposits Returned	(7,385)	(4,923)	0	(12,308)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(17,156)</u>	<u>332,195</u>	<u>(6,986)</u>	<u>308,053</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	(271,912)	(439,131)	0	(711,043)
Proceeds from OWDA Loans	68,987	153,521	0	222,508
Principal Paid on Debt	(76,666)	(142,942)	0	(219,608)
Interest Paid on Debt	(20,205)	(66,484)	0	(86,689)
Principal Paid on Capital Leases	(3,894)	(3,894)	0	(7,788)
Interest Paid on Capital Leases	(737)	(736)	0	(1,473)
Capital Contributions	161,740	192,430	0	354,170
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(142,687)</u>	<u>(307,236)</u>	<u>0</u>	<u>(449,923)</u>
Cash Flows from Investing Activities:				
Interest on Investments	9	0	0	9
<i>Net Decrease in Cash and Cash Equivalents</i>	(159,834)	24,959	(6,986)	(141,861)
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>678,197</u>	<u>484,350</u>	<u>11,700</u>	<u>1,174,247</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$518,363</u></u>	<u><u>\$509,309</u></u>	<u><u>\$4,714</u></u>	<u><u>\$1,032,386</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
<i>Operating Income (Loss)</i>	(\$105,628)	\$142,872	(\$7,258)	\$29,986
<i>Adjustments:</i>				
Depreciation	111,542	196,477	0	308,019
<i>(Increase) Decrease in Assets:</i>				
Accounts Receivable	(22,548)	(3,364)	(119)	(26,031)
Prepays Items	420	776	(16)	1,180
<i>Increase (Decrease) in Liabilities:</i>				
Accounts Payable	(4,353)	(6,987)	223	(11,117)
Accrued Wages and Benefits Payable	2,094	546	(127)	2,513
Compensated Absences Payable	197	(2,245)	276	(1,772)
Customer Deposits	2,125	1,417	0	3,542
Intergovernmental Payable	(1,005)	2,703	35	1,733
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u><u>(\$17,156)</u></u>	<u><u>\$332,195</u></u>	<u><u>(\$6,986)</u></u>	<u><u>\$308,053</u></u>

See accompanying notes to the basic financial statements

City of Nelsonville, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Fund
December 31, 2007

Assets

Cash and Cash Equivalents in Segregated Accounts	<u><u>\$986</u></u>
--	---------------------

Liabilities

Intergovernmental Payable	\$600
Undistributed Monies	<u>386</u>

<i>Total Liabilities</i>	<u><u>\$986</u></u>
--------------------------	---------------------

See accompanying notes to the basic financial statements

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

Note 1 – Description of City and Reporting Entity

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

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

Reporting Entity

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

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

The City participates in the Athens County Regional Planning Commission, defined as a jointly governed organization, and the Ohio Rural Water Association Workers’ Compensation Group Rating Plan, which is defined as an insurance purchasing pool. These organizations are presented in Notes 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 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, 2007

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

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

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

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

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

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

Capital Improvements Fund The Capital Improvements Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

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

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

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

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

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

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

C. Measurement Focus

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

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

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

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

D. Basis of Accounting

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

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2007, but which were levied to finance year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements were met have also been recorded as deferred revenue.

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

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

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

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

E. Budgetary Process

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

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

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

F. Cash and Cash Equivalents

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

During 2007, investments were limited to nonnegotiable certificates of deposit, which are reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest is credited to the General Fund and the Street Construction and Maintenance, State Highway, Permissive Tax, and Aquatic Center Special Revenue Funds. Interest revenue credited to the General Fund during 2007 amounted to \$183,392, which includes \$121,080 assigned from other City funds.

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

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

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2007, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

H. Restricted Assets

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

I. Capital Assets

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

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

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

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

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

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

J. Compensated Absences

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

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

K. Contributions of Capital

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

L. Fund Balance Reserves

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

M. Interfund Activity

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 aren't eliminated.

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

N. Accrued Liabilities and Long-Term Liabilities

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

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

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

O. Estimates

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

P. Net Assets

Net assets represent the difference between net assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the constitutional provisions or through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Net assets restricted for other purposes includes activities related to the Mayor's Court, the City's law enforcement and unspent grant proceeds. The government-wide statement of net assets reports \$2,115,561 of restricted net assets, none of which is restricted by enabling legislation.

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

Q. Operating Revenues and Expenses

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

R. Extraordinary and Special Items

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

Note 3 – Changes in Accounting Principle and Restatement of Prior Year Balances

A. Changes in Accounting Principle

For 2007, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions"; GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues"; and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this Statement for both the OPERS and OP&F post employment healthcare plans in the amount of \$44,274 and \$25,894, respectively, which are the same as the previously reported liabilities.

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

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

B. Restatement of Prior Year Balances

The December 31, 2006 net assets in the Water Fund and the Sewer Fund were overstated due to CDBG grants that were awarded in 2006 and not closed out until 2008. The grant amounts were reduced on April 1, 2008 in the amounts of \$51,760 in the Water Fund and \$9,220 in the Sewer Fund. The original award amounts of the grants were booked as revenue in 2006. This change reduced net income of the Water Fund from \$116,503 to \$64,743 and reduced net income of the Sewer Fund from \$222,618 to \$213,398.

This change resulted in the net assets of the Water Fund being reduced from \$2,870,817 to \$2,819,057 and the net assets of the Sewer Fund being reduced from \$2,445,427 to \$2,436,207. Total Business-Type Activities Net Assets were reduced from \$5,325,517 to \$5,264,537.

Note 4 – Accountability and Compliance

A. Fund Deficit

The Grants Special Revenue Fund had a deficit fund balance of \$6,618 as of December 31, 2007. This deficit resulted from the recognition of payables recorded in accordance with Generally Accepted Accounting Principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Statutory Compliance

The following fund had expenditures which exceeded appropriations for the year ended December 31, 2007:

Fund	<u>Variance</u>
Grants Special Revenue Fund	<u>\$3,029</u>

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

Note 5 – Budgetary Basis of Accounting

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

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

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

3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

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	\$289,477	(\$18,079)	(\$149,239)	\$9,589
Revenue Accruals	26,272	0	99,548	5,484
Expenditure Accruals	19,630	4,696	11,703	692
Beginning of the Year:				
Unreported Cash	9,211	0	0	500
Prepaid Items	24,124	709	0	1,370
End of Year:				
Unreported Cash	0	0	0	0
Prepaid Items	(12,257)	(820)	0	(1,213)
Advances	38	0		0
Encumbrances	(20,813)	(4,589)	(305,994)	(12)
Budget Basis	<u>\$335,682</u>	<u>(\$18,083)</u>	<u>(\$343,982)</u>	<u>\$16,410</u>

Note 6 – Deposits and Investments

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

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

Inactive deposits are public deposits that 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.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio); and,
8. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time.

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Historically, the City has not purchased these types of investments or issued these types of notes. An investment must mature within five years from the date of purchase unless matched to a specific obligation of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payments for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, 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 \$4,230,132 and the bank balance was \$4,369,976. Of the bank balance, \$205,241 was covered by Federal depository insurance and \$4,164,735 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institutions' trust department or agent, but not in the City's name.

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

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

Note 7 – Receivables

Receivables at December 31, 2007, consisted primarily of municipal income taxes, property and other taxes, accounts (billings for user fees including unbilled utility services), intergovernmental receivables arising from entitlements and shared revenues, and accrued interest on investments.

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.

A. Property Taxes

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 2007 for real and public utility property taxes represent collections of 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) are for 2007 taxes.

2007 real property taxes are levied after October 1, 2007, on assessed value as of January 1, 2007, the lien date. Assessed values are established by State law at thirty-five percent of the appraised market value. 2007 real property taxes are collected in and intended to finance 2008.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2007 public utility property taxes became a lien December 31, 2006, are levied after October 1, 2007, and are collected in 2008 real property taxes.

2006 tangible personal property taxes are levied after October 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009.

The full tax rate for all City operations for the year ended December 31, 2007, was \$9.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real Property	\$41,938,630
Public Utility Tangible Personal Property	2,472,250
Tangible Personal Property	<u>1,156,614</u>
Total Assessed Value	<u><u>\$45,567,494</u></u>

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

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable at September 20.

The Athens County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of Nelsonville. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2007, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since current taxes were not levied to finance 2007 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, delinquent collectible property taxes have been recorded as revenue, while the remainder of the receivable has been deferred.

B. Income Taxes

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

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

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

C. Intergovernmental Receivables

A summary of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities:	
Local Government	\$82,106
Kilowatt Per Hour	3,711
Homestead and Rollback	19,302
Gasoline Tax	59,166
Motor Vehicle License Tax	13,444
Permissive Motor Vehicle License Tax	526
State Electric Light	4,941
Ohio Public Works Commission	162,889
Miscellaneous	<u>2,433</u>
Total Intergovernmental Receivables	<u><u>\$348,518</u></u>

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

Note 8- Risk Management

A. Property and Liability

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

Property	Deductible	Limits of Coverage
Real Property	\$1,000	\$13,012,715
General Liability:		
Each Occurrence	10,000	1,000,000
Aggregate Limit	10,000	3,000,000
Employee Benefits:		
Each Occurrence	1,000	1,000,000
Aggregate Limit	1,000	3,000,000
Inland Marine	500	681,356
Wrongful Acts Liability:		
Each Occurrence	10,000	1,000,000
Aggregate Limit	10,000	1,000,000
Vehicles:		
Comprehensive	0	1,000,000
Collision	0	1,000,000
Employee Dishonesty		
Police Professional:		
Each Occurrence	10,000	1,000,000
Aggregate Limit	10,000	1,000,000
Umbrella Coverage:		
Each Occurrence	10,000	4,000,000
Aggregate Limit	10,000	4,000,000

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

B. Workers' Compensation

For 2007, the City participated in the Ohio Rural Water Association 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' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. The savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Each year the City pays an enrollment fee to the Plan to cover the costs of administering the program.

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

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

Note 9 – Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

	Balance at 12/31/06	Additions	Deductions	Balance at 12/31/07
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$407,263	\$0	\$0	\$407,263
Construction in Progress	166,960	408,997	0	575,957
Total Capital Assets not being Depreciated	574,223	408,997	0	983,220
Depreciable Capital Assets:				
Land Improvements	233,134	0	0	233,134
Buildings and Improvements	2,979,286	54,375	0	3,033,661
Furniture, Fixtures, and Equipment	839,387	43,724	17,500	865,611
Vehicles	1,186,033	229,534	0	1,415,567
U.S. and State Roads	7,203,622	0	0	7,203,622
City Streets	4,911,000	18,650	0	4,929,650
Street Signals	683,618	0	0	683,618
Total Depreciable Capital Assets	18,036,080	346,283	17,500	18,364,863
Less Accumulated Depreciation:				
Land Improvements	43,979	10,313	0	54,292
Buildings and Improvements	549,879	69,868	0	619,747
Furniture, Fixtures, and Equipment	565,824	52,562	17,500	600,886
Vehicles	754,593	67,383	0	821,976
U.S. and State Roads	1,671,557	360,181	0	2,031,738
City Streets	3,642,379	242,312	0	3,884,691
Street Signals	343,382	29,914	0	373,296
Total Accumulated Depreciation	7,571,593	832,533 *	17,500	8,386,626
Total Capital Assets being Depreciated, Net	10,464,487	(486,250)	0	9,978,237
Governmental Activities Capital Assets, Net	\$11,038,710	(\$77,253)	\$0	\$10,961,457

*Depreciation expense was charged to governmental programs as follows:

General Government	\$17,235
Security of Persons and Property:	
Police	20,768
Fire	56,897
Transportation	663,106
Leisure Time Activities	67,364
Community Environment	7,163
Total Depreciation Expenses	\$832,533

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

	Balance at 12/31/06	Additions	Deductions	Balance at 12/31/07
Business-Type Activities:				
Capital Assets not being Depreciated				
Land	\$155,955	\$0	\$0	\$155,955
Construction in Progress	32,979	139,838	32,979	139,838
Total Capital Assets not being Depreciated	188,934	139,838	32,979	295,793
Depreciable Capital Assets:				
Land Improvements	24,752	0	0	24,752
Furniture, Fixtures, and Equipment	1,041,911	48,780	0	1,090,691
Vehicles	154,335	0	0	154,335
Infrastructure	9,333,361	668,113	0	10,001,474
Total Capital Assets being Depreciated	10,554,359	716,893	0	11,271,252
Less Accumulated Depreciation:				
Land Improvements	18,095	548	0	18,643
Furniture, Fixtures, and Equipment	775,764	41,057	0	816,821
Vehicles	122,103	12,586	0	134,689
Infrastructure	3,837,232	253,828	0	4,091,060
Total Accumulated Depreciation	4,753,194	308,019	0	5,061,213
Total Capital Assets being Depreciated, Net	5,801,165	408,874	0	6,210,039
Business-Type Activities Capital Assets, Net	\$5,990,099	\$548,712	\$32,979	\$6,505,832

Note 10 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

Plan Description – The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007, members in state and local classifications contributed 9.5% of covered payroll, public safety members contributed 9.75%, and law enforcement members contributed 10.1%.

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

The City's contribution rate for 2007 was 13.85 percent. For the period January 1 through June 30, a portion of the City's contribution equal to 5 percent of covered payroll was allocated to fund the post-employment health care plan; for the period July 1 through December 31, 2007 this amount was increased to 6 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$76,385, \$90,515 and \$95,923 respectively; 81.52 percent has been contributed for 2007 and 100 percent for 2006 and 2005. Contributions to the member directed plan for 2007 were \$611 made by the City and \$419 made by plan members.

B. Ohio Police and Fire Pension Fund

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers and 24 percent for firefighters. Contribution rates are established by State statute. For 2007, a portion of the City's contribution equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. The City's pension contributions to OP&F for police and firefighters were \$28,966 and \$28,820 for the year ended December 31, 2007, \$27,796 and \$15,854 for the year ended December 31, 2006, and \$31,895 and \$26,090 for the year ended December 31, 2005. The full amount has been contributed for 2006 and 2005. 66.04 percent has been contributed for police and 66.23 percent has been contributed for firefighters for 2007.

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2007, the unfunded police and firefighters liability of the City was \$75,759 and \$874, respectively, payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary.

Note 11 - Postemployment Benefits

A. Ohio Public Employees Retirement System

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

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

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2007, local government employers contributed 13.85 percent of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 5.00 percent of covered payroll from January 1 through June 30, 2007, and 6.00 percent from July 1 to December 31, 2007.

The retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. 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, 2007, 2006, and 2005 were \$50,313, \$44,274 and \$40,010 respectively; 81.52 percent has been contributed for 2007 and 100 percent for 2006 and 2005.

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

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were 44,274. The actual contribution and the actuarially required contribution amounts are the same. OPER's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

B. Ohio Police and Fire Pension Fund

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

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

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

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

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

Funding policy – OP&F's post-employment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50 percent and 24.00 percent of covered payroll for police and fire employers, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2007, the employer contribution allocated to the healthcare plan was 6.75% of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OPEB Plan.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$15,335 and \$11,277 for the year ended December 31, 2007, \$18,333 and \$7,561 for the year ended December 31, 2006, and \$21,037 and \$12,443 for the year ended December 31, 2005. The full amount has been contributed for 2006 and 2005. 66.04 percent has been contributed for police and 66.23 percent has been contributed for firefighters for 2007.

Note 12- Employee Benefits

A. Insurance

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

The City provides comprehensive major medical insurance through Anthem Blue Cross and Blue Shield. Monthly premiums are \$390.15 for single coverage and \$1,204.38 for family coverage. Vision insurance is provided through the Vision Service Plan, Inc. The premiums are \$11.88 for single coverage and \$32.51 for family coverage. Dental insurance is provided through the Guardian Insurance Plans. The premiums are \$26.25 for single coverage and \$97.64 for family coverage. The City pays 100% for the premiums for both single and family plans for vision insurance and 80% of the premiums for both single and family plans for all other insurance offered.

B. Compensated Absences

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

Note 13 – Capital Leases – Lessee Disclosure

During 2007, the City entered into two new leases, one for the purchase of two police cruisers and one for the purchase of a pumper truck for the fire department. In prior years, the City had entered into several capital leases for the purchase of vehicles, heavy equipment, and office equipment.

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

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

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Machinery and Equipment	\$26,423	\$42,585
Vehicles	858,826	0
Less: Accumulated Depreciation	(275,399)	(8,403)
Total	\$609,850	\$34,182

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, 2007:

Year Ending December 31,	Governmental Activities	Business-Type Activities	Total
2008	\$116,867	\$8,327	\$125,194
2009	116,051	7,994	124,045
2010	97,807	7,994	105,801
2011	93,769	0	93,769
2012	71,766	0	71,766
2013 - 2016	74,806	0	74,806
Total Minimum Lease Payments	571,066	24,315	595,381
Less: Amount Representing Interest	(92,080)	(2,144)	(94,224)
Present Value of Minimum Lease Payments	\$478,986	\$22,171	\$501,157

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

Note 14 – Long Term Obligations

A schedule of changes in long-term obligations of the City during 2007 follows:

	Principal Outstanding 12/31/06	Adds	Deletes	Principal Outstanding 12/31/07	Amounts Due in One Year
Business-Type Activities:					
OWDA Loans:					
1989 Sewer Improvements Loan - 8.26%	\$535,182	\$0	\$59,504	\$475,678	\$64,419
1998 Sylvania Avenue Sewer Loan - 2.20%	351,638	0	27,188	324,450	27,789
2002 Sewer Digester Loan - 2.20%	747,771	0	42,582	705,189	43,524
2002 State Route 33 Sewer Improvements Loan - 2.00%	162,600	82,670	13,668	231,602	13,942
2007 Adams Street Sewer Improvements Loan - 2.00%	0	70,851	0	70,851	0
2002 Water Improvements Loan - 2.00%	225,604	0	11,666	213,938	11,901
2007 Adams Street Water Improvements Loan - 2.00%	0	68,987	0	68,987	0
Total OWDA Loans	2,022,795	222,508	154,608	2,090,695	161,575
1989 Water System General Obligation Bonds - 6.70 - 7.50%	210,000	0	65,000	145,000	70,000
Capital Leases	29,959	0	7,788	22,171	7,264
Compensated Absences	39,102	3,758	5,530	37,330	22,589
Total Business-Type Activities:	\$2,301,856	\$226,266	\$232,926	\$2,295,196	\$261,428
Governmental Activities:					
2006 Aquatic Center Bond Anticipation Note - 3.85%	\$750,000	\$0	\$750,000	\$0	\$0
2007 Aquatic Center Bond Anticipation Note - 4.10%	0	625,000	0	625,000	0
2007 Adams Street Improvements Loan - 2.00%	0	10,953	0	10,953	0
Capital Leases	375,183	198,730	94,927	478,986	89,618
Police and Fire Pension Liability	78,086	0	1,453	76,633	1,515
Compensated Absences	52,630	2,589	10,633	44,586	11,201
Total Governmental Activities:	\$1,255,899	\$837,272	\$857,013	\$1,236,158	\$102,334

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

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

The 2002 OWDA Route 33 Sewer Improvements Loan, authorized in the amount of \$310,000, was used to finance the sewer treatment plant expansion and improvements. The loan activity is reflected in the Sewer Enterprise Fund which received the proceeds and will repay the debt. Though the loan has been fully drawn down it has not been finalized as of December 31, 2006, and therefore, an amortization schedule has not been established.

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

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

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

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

Principal and interest requirements to retire the Sewer Improvements, Sylvania Avenue, Sewer Digester, and Water Improvements OWDA Loan liabilities at December 31, 2007, are as follows:

Year Ended December 31,	Principal	Interest	Total
2008	\$135,732	\$61,553	\$197,285
2009	142,629	54,655	197,284
2010	150,003	47,282	197,285
2011	157,887	39,397	197,284
2012	166,323	30,961	197,284
2013 - 2017	511,574	60,010	571,584
2018 - 2021	241,169	11,417	252,586
	<u>\$1,505,317</u>	<u>\$305,275</u>	<u>\$1,810,592</u>

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

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

Principal and interest requirements to retire General Obligation bonds outstanding at December 31, 2007, are as follows:

Year Ended December 31,	Principal	Interest	Total
2008	\$70,000	\$2,625	\$72,625
2009	75,000	2,813	77,813
	<u>\$145,000</u>	<u>\$5,438</u>	<u>\$150,438</u>

The Aquatic Center bond anticipation notes were issued on March 2, 2007, for \$750,000 and mature on February 29, 2008. These bond anticipation notes were issued for the purpose of acquiring and constructing the City's aquatic center. The notes will be retired through municipal income taxes and revenues from user fees derived from the operation of the aquatic center. On February 29, 2008, \$625,000 of the notes were rolled into a new note that matures on February 28, 2009; therefore, \$125,000 of the notes issue was shown in the short-term notes payable schedule in Note 15.

Principal and interest requirements to retire the Police and Fire Pension liability at December 31, 2007, are as follows:

Year Ended December 31,	Principal	Interest	Total
2008	\$1,515	\$3,241	\$4,756
2009	1,580	3,176	4,756
2010	1,648	3,108	4,756
2011	1,719	3,037	4,756
2012	1,793	2,963	4,756
2013 - 2017	10,195	13,585	23,780
2018 - 2022	12,599	11,181	23,780
2023 - 2027	15,562	8,218	23,780
2028 - 2032	19,229	4,551	23,780
2033 - 2035	10,793	3,843	14,636
	<u>\$76,633</u>	<u>\$56,903</u>	<u>\$133,536</u>

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

The City's overall legal debt margin was \$3,544,648 at December 31, 2007.

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

Note 15 – Notes Payable

A summary of the note transactions for the year ended December 31, 2007, follows:

	Principal Outstanding 12/31/06	Additions	Deductions	Principal Outstanding 12/31/07
2006 Aquatic Center Bond Anticipation Notes - 3.85%	\$125,000	\$0	\$125,000	\$0
2007 Aquatic Center Bond Anticipation Notes - 4.10%	0	125,000	0	125,000
Total Governmental Activities	\$125,000	\$125,000	\$125,000	\$125,000

The Aquatic Center bond anticipation note is backed by the full faith and credit of the City of Nelsonville. The aquatic center note was issued on March 2, 2007 and matures on February 29, 2008. On February 29, 2008, the City retired this note through aquatic center revenues. The bond anticipation notes were issued for the purpose of acquiring and constructing the City's aquatic center.

Note 16 –Jointly Governed Organization

The Athens County Regional Planning Commission was formed to influence favorably the future economic, physical, and social development of Athens County. Membership is composed of the three Athens County Commissioners, one representative from each of the participating municipalities, including the City of Nelsonville, and one representative for every five thousand County residents appointed by the County Commissioners. The Commission is not dependent upon the City of Nelsonville for its continued existence. In 2007, the City made no contributions to the Commission.

Note 17 – Insurance Purchasing Pool

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

A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant, and performing any other acts and functions which may be delegated to it by the participating employers. The group executive committee is appointed by the Governing Board of the Ohio Rural Water Association. The Board shall consist of eleven voting members as follows: up to nine, but no less than five from public or non-profit water supply districts or companies; not more than two from waste water systems; not more than one from municipalities over 10,000 in population; not more than one from municipalities under 10,000 in population; one who is a manager from a member system; and one who is an associate member, or employee of an associate member. These members are elected for the ensuing year by the participants at the meeting held in April of each year. No participant can have more than one member of the Board of Directors in any year.

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

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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2007.

B. Litigation

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

Note 19 – Contractual Commitments

As of December 31, 2007, the City had contractual commitments for the following projects:

Project	Fund	Contract Amount	Amount Expended	Balance at 12/31/07
Governmental Activities:				
Adams Street Rehabilitation	Street Light	\$579,422	\$247,295	\$332,127
Bike Path	Capital Improvements	148,629	137,744	10,885
Total Governmental Activities		<u>\$728,051</u>	<u>\$385,039</u>	<u>\$343,012</u>

Note 20 –Subsequent Events

On February 28, 2008, the City issued a \$625,000 bond anticipation note which will mature on February 28, 2009. This new note, in combination with a \$125,000 principal payment, retired the 2007 Aquatic Center bond anticipation note of \$750,000.

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

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Nelsonville, Athens County, Ohio (the City), as of and for the years ended December 31, 2007, and have issued our report thereon dated December 17, 2009, wherein we noted that the City adopted Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*; GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, and GASB Statement No. 50, *Pension Disclosures*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control over Financial Reporting

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

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

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

We consider the following deficiencies described in the accompanying Schedule of Findings to be a significant deficiencies in internal control over financial reporting: 2007-001 and 2007-002.

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

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

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

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

Compliance and Other Matters

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

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

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

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

J.L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

December 17, 2009

CITY OF NELSONVILLE, ATHENS COUNTY
Schedule of Findings
For the Year Ended December 31, 2007

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

Finding Number 2007-001

Significant Deficiency/Material Weakness – Voided Receipts

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

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

Officials’ Response

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

Finding Number 2007-002

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

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

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

Officials’ Response

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



Mary Taylor, CPA
Auditor of State

CITY OF NELSONVILLE

ATHENS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 15, 2010