



*CITY OF NELSONVILLE, OHIO*

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**Regular Audit**

**For the Year Ended December 31, 2009**

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

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS



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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, 2009 through December 31, 2009. 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

November 5, 2010

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

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Nelsonville, Ohio, (the City) as of and for the year ended December 31, 2009, 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, 2009, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparisons for the General and Grants Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 27, 2010 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.

August 27, 2010

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**City of Nelsonville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

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The discussion and analysis of the City of Nelsonville's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2009. 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 2009 are as follows:**

- In total, net assets increased \$378,945. Net assets of governmental activities increased \$460,260, or 3.3 percent from 2008. Net assets of business-type activities decreased \$81,315, or 1.5 percent from 2008.
- In total, assets decreased \$25,080. Governmental activities increased \$292,009, while the business-type activities assets decreased \$317,089.
- Overall, capital assets increased \$720,894. Total capital assets of governmental activities increased \$765,570, or 7.1 percent. Capital assets of business-type activities decreased \$44,676, or 0.7 percent.
- In total, liabilities decreased \$404,025. Total liabilities of governmental activities decreased \$168,251. Total liabilities of business-type activities decreased \$235,774 from 2008.

## **USING THIS ANNUAL FINANCIAL REPORT**

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

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

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

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

#### *Statement of Net Assets and Statement of Activities*

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The Statement of Net Assets and Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**City of Nelsonville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

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

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

***Reporting the City of Nelsonville's Most Significant Funds***

*Fund Financial Statements*

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

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

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

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

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

**City of Nelsonville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

**THE CITY OF NELSONVILLE AS A WHOLE**

Recall that the Statement of Net Assets provides the perspective of the City as a whole. Table 1 provides a summary of the City's net assets for 2009 compared to 2008.

(Table 1)  
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Assets</b>						
Current and Other Assets	\$4,583,548	\$5,057,109	\$1,217,871	\$1,490,287	\$5,801,419	\$6,547,396
Capital Assets, Net	11,523,104	10,757,534	6,581,273	6,625,946	18,104,377	17,383,480
<i>Total Assets</i>	<u>16,106,652</u>	<u>15,814,643</u>	<u>7,799,144</u>	<u>8,116,233</u>	<u>23,905,796</u>	<u>23,930,876</u>
<b>Liabilities</b>						
Current and Other Liabilities	578,737	687,267	247,442	402,510	826,179	1,089,777
Long-Term Liabilities:						
Due within One Year	121,364	122,436	226,861	290,794	348,225	413,230
Due in More than One Year	880,080	938,729	1,962,816	1,979,589	2,842,896	2,918,318
<i>Total Liabilities</i>	<u>1,580,181</u>	<u>1,748,432</u>	<u>2,437,119</u>	<u>2,672,893</u>	<u>4,017,300</u>	<u>4,421,325</u>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	10,522,852	9,697,323	4,436,264	4,384,992	14,959,116	14,082,315
Restricted for:						
Unclaimed Monies	16,528	15,762	0	0	16,528	15,762
Streets	304,143	398,570	0	0	304,143	398,570
Parks	335,458	1,097,537	0	0	335,458	1,097,537
Capital Projects	1,110,812	433,122	0	0	1,110,812	433,122
Other Purposes	155,911	317,315	0	0	155,911	317,315
Unrestricted	2,080,767	2,106,582	925,761	1,058,348	3,006,528	3,164,930
<i>Total Net Assets</i>	<u>\$14,526,471</u>	<u>\$14,066,211</u>	<u>\$5,362,025</u>	<u>\$5,443,340</u>	<u>\$19,888,496</u>	<u>\$19,509,551</u>

Total governmental activities assets increased \$292,009. This is primarily due to increases in capital assets in the amount of \$765,570, and income taxes receivable of \$91,154, offset by a decrease in receivables from other governments, in the amount of \$503,356. The increase in capital assets is the result of the bike path extension and the Adams, Cross, and Love Street Reconstruction and Rehabilitation project, both of which were completed in 2009. The decrease in receivables from other governments is the result of estate tax receipts decreasing \$304,000 combined with a decrease in funding of \$200,000 from the Community Housing Improvement Program.

Total governmental activities liabilities decreased \$168,251. Current and other liabilities decreased \$108,530. This is primarily the result of decreases in retainage payable resulting from the completion of the City's Adam, Cross, and Love Street Reconstruction and Rehabilitation project, and decreases in deferred revenue related to the reduction of estate tax and Community Housing Improvement Program receipts. Long-term liabilities decreased \$59,721 as the City made required debt service payments greater than amounts issued for new debt.

Total business-type activities assets decreased \$317,089. Cash and cash equivalents decreased \$118,656, the result of increased operational costs. Additionally, amounts receivable from other governments decreased \$190,804, due to decreased grant funding for the City's Adam, Cross, and Love Street Reconstruction and Rehabilitation project.

**City of Nelsonville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
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For business-type activities, liabilities decreased \$235,774. Contracts payable fell by \$143,835, due to the completion of the Adam, Cross, and Love Street Reconstruction and Rehabilitation project. Long-term liabilities decreased \$80,706 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.

	Changes in Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$187,352	\$198,711	\$1,966,532	\$2,010,124	\$2,153,884	\$2,208,835
Operating Grants, Contributions and Interest	195,927	260,444	0	4	195,927	260,448
Capital Grants and Contributions	988,083	487,427	23,146	215,554	1,011,229	702,981
<i>Total Program Revenues</i>	<u>1,371,362</u>	<u>946,582</u>	<u>1,989,678</u>	<u>2,225,682</u>	<u>3,361,040</u>	<u>3,172,264</u>
General Revenues						
Property Taxes	361,317	358,921	0	0	361,317	358,921
Income Taxes	1,647,757	1,579,284	0	0	1,647,757	1,579,284
Grants and Entitlements	173,354	476,367	0	0	173,354	476,367
Interest	159,192	180,397	0	0	159,192	180,397
Other	72,745	50,260	640	6,295	73,385	56,555
<i>Total General Revenues</i>	<u>2,414,365</u>	<u>2,645,229</u>	<u>640</u>	<u>6,295</u>	<u>2,415,005</u>	<u>2,651,524</u>
<b>Total Revenues</b>	<u>3,785,727</u>	<u>3,591,811</u>	<u>1,990,318</u>	<u>2,231,977</u>	<u>5,776,045</u>	<u>5,823,788</u>
<b>Program Expenses</b>						
General Government	529,359	330,272	0	0	529,359	330,272
Security of Persons and Property:						
Police	780,556	700,056	0	0	780,556	700,056
Fire	469,677	416,914	0	0	469,677	416,914
Transportation	941,564	967,273	0	0	941,564	967,273
Leisure Time Activities	248,756	246,240	0	0	248,756	246,240
Community Environment	317,838	132,934	0	0	317,838	132,934
Interest and Fiscal Charges	37,717	46,111	0	0	37,717	46,111
Water	0	0	1,073,685	1,001,440	1,073,685	1,001,440
Sewer	0	0	976,439	982,576	976,439	982,576
Parking Meter	0	0	21,509	26,608	21,509	26,608
<i>Total Program Expenses</i>	<u>3,325,467</u>	<u>2,839,800</u>	<u>2,071,633</u>	<u>2,010,624</u>	<u>5,397,100</u>	<u>4,850,424</u>
<i>Increase (Decrease) in Net Assets</i>	460,260	752,011	(81,315)	221,353	378,945	973,364
<i>Net Assets at Beginning of Year</i>	<u>14,066,211</u>	<u>13,314,200</u>	<u>5,443,340</u>	<u>5,221,987</u>	<u>19,509,551</u>	<u>18,536,187</u>
<i>Net Assets at End of Year</i>	<u>\$14,526,471</u>	<u>\$14,066,211</u>	<u>\$5,362,025</u>	<u>\$5,443,340</u>	<u>\$19,888,496</u>	<u>\$19,509,551</u>

**Governmental Activities**

Program revenues accounted for 36.2 percent of total revenues for governmental activities in 2009. The amount of program revenues increased \$424,780 from 2008. This increase is due to the grant funding for the Adams, Cross, and Love Streets Reconstruction and Rehabilitation project being received and recognized in 2009. Governmental activities services are primarily funded through general revenues, those basically being comprised of property taxes, income taxes, and State shared revenues. These revenue sources make up 90.4 percent of general revenues and over 57.6 percent of total revenues. In total, the City's general revenues decreased \$230,864 during 2009. This reduction is due to decreases in the City's estate tax settlement.

**City of Nelsonville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

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

Governmental expenses increased \$485,667. Security of persons and property is a major activity of the City, representing 37.6 percent of the governmental expenses, an 11.9 percent increase from the prior year. During 2009, expenses for police and fire operations amounted to \$780,556 and \$469,677, respectively. Expenses increased \$80,500 in the police department and \$52,763 in the fire department, both of which is attributable to pay increases and the continued increase in the cost of fringe benefits and materials and supplies. These activities are, for the most part, funded by the municipal income tax. The City attempts to supplement the income and activities of the police department, by applying for additional grant funding, to enable the department to widen the scope of its activity. The police and fire department and its employees continue to work hand in hand with the City to limit costs to the taxpayer.

Transportation activities of the City accounted for more than 28.3 percent of governmental expenses. This is a decrease of \$25,709. This is due to a decrease in the annual depreciation expense.

General government, aquatic center, community environment, and interest and fiscal charges account for the remaining 34.1 percent of governmental expenses.

***Business-Type Activities***

The City's water and sewer operations account for 99 percent of the expenses for the City's business-type activities and are funded almost entirely from charges for services. During 2009, program expenses exceeded program revenues by \$81,955 for all business-type activities.

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

**THE CITY'S FUNDS**

The City's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$4,054,436 and expenditures of \$4,328,391.

The fund balance of the General Fund decreased \$45,677. The General Fund's unreserved fund balance of \$1,844,189 represented 97.8 percent of current year expenditures. Most of this balance remains in the City's treasury.

The fund balance of the Grants Special Revenue Fund increased \$498. The Grant Fund's unreserved fund balance of \$46,599 represented 4.0 percent of current year expenditures.

The fund balance of the Capital Improvements Capital Projects Fund increased \$36,663. The Capital Improvement Fund's unreserved fund balance of \$1,063,851 represented 399 percent of current year expenditures.

The net asset balance of the Water Enterprise Fund decreased \$104,522. The Water Fund's unrestricted net assets balance of \$333,292 represented 31.2 percent of current year expenses.

The net asset balance of the Sewer Enterprise Fund increased \$27,067. The Sewer Fund's unrestricted net assets balance of \$602,154 represented 65.4 percent of current year expenses.

The net asset balance of the Parking Meter Enterprise fund decreased \$3,860 and has an unrestricted fund deficit of \$9,051.

**City of Nelsonville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

**General Fund Budgeting Highlights**

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

During the course of 2009, the City amended its General Fund budget several times, none were significant. All recommendations for a budget change came from the City Auditor to the Finance Committee of Council for review before going to the whole Council for Ordinance enactment on the change. The allocation of appropriations among the departments and objects within a fund may be modified during the year by the City Auditor without an ordinance of Council. With the General Fund supporting many of our major activities such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or overspending by individual departments.

For the General Fund, no adjustments were made to the original budgeted revenues. Final budgeted expenditures were increased \$504,640 over the original amount, due to incorrect assumptions being made regarding salaries and benefits. The City of Nelsonville's ending unencumbered cash balance in the General Fund was \$535,663 above the final budgeted amount, this is due to the City continuing to make every reasonable effort to hold costs down and maximize the returns the City receives for the monies that are spent.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2009, the City had \$11,523,104 in governmental activities, and \$6,581,270 in business-type activities, invested in land, construction in progress, buildings, furniture, fixtures, and equipment, vehicles, and infrastructure. Table 3 shows fiscal year 2009 balances compared to 2008.

(Table 3)  
 Capital Assets at December 31, 2009

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$407,263	\$407,263	\$155,955	\$155,955	\$563,218	\$563,218
Construction in Progress	0	1,014,610	6,681	540,312	6,681	1,554,922
Land Improvements	1,281,170	168,529	5,404	5,757	1,286,574	174,286
Buildings and Improvements	2,260,079	2,331,029	0	0	2,260,079	2,331,029
Furniture, Fixtures, and Equipment	318,642	258,494	236,042	221,393	554,684	479,887
Vehicles	501,144	557,946	9,943	22,026	511,087	579,972
Infrastructure:						
U.S. and State Roads	4,497,387	4,826,866	0	0	4,497,387	4,826,866
City Streets	2,006,834	912,298	0	0	2,006,834	912,298
Street Signals	250,585	280,499	0	0	250,585	280,499
Water System	0	0	2,677,977	2,375,736	2,677,977	2,375,736
Sewer System	0	0	3,489,268	3,311,349	3,489,268	3,311,349
<b>Totals</b>	<b>\$11,523,104</b>	<b>\$10,757,534</b>	<b>\$6,581,270</b>	<b>\$6,632,528</b>	<b>\$18,104,374</b>	<b>\$17,390,062</b>

The assets of the City are reported at historical cost, net of depreciation. For additional information on capital assets, see Note 12 to the basic financial statements.

**City of Nelsonville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

**Debt**

By year end, the City had one bond issue, as well as various loans and capital leases payable at December 31, 2009, totaling \$3,218,796 of which \$321,647 is due within one year. The City's only outstanding bond is for water system improvements. In addition, the City has eight Ohio Water Development Authority Loans outstanding, five for sewer system improvements and expansion, two for water system improvements, and one for street improvements; a Ohio Public Works Commission loan outstanding for street improvements; a bond anticipation note used for the construction of the City's aquatic center; police and fire pensions liabilities, and various leases for vehicles and office equipment.

(Table 4)  
 Outstanding Debt at December 31, 2009

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Water Revenue Bonds	\$0	\$0	\$0	\$75,000	\$0	\$75,000
OWDA Loans	24,536	22,146	1,925,496	2,067,173	1,950,032	2,089,319
OPWC Loans	155,647	6,801	211,882	83,874	367,529	90,675
Bond Anticipation Notes	500,000	625,000	0	0	500,000	625,000
Capital Leases	320,069	406,264	7,628	14,907	327,697	421,171
Police Pension Liability	72,699	74,261	0	0	72,699	74,261
Fire Pension Liability	839	857	0	0	839	857
<b>Totals</b>	<b>\$1,073,790</b>	<b>\$1,135,329</b>	<b>\$2,145,006</b>	<b>\$2,240,954</b>	<b>\$3,218,796</b>	<b>\$3,376,283</b>

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

The City's overall legal debt margin was \$4,206,805 at December 31, 2009. For additional information on the City's debt, see Notes 17 and 18 to the basic financial statements.

**CURRENT ISSUES**

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

**CONTACTING THE CITY AUDITOR'S DEPARTMENT**

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

**City of Nelsonville, Ohio**  
*Statement of Net Assets*  
*December 31, 2009*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$3,522,893	\$864,248	\$4,387,141
Intergovernmental Receivable	311,410	22,200	333,610
Internal Balances	8,628	(8,628)	0
Property Taxes Receivable	313,232	0	313,232
Income Taxes Receivable	386,778	0	386,778
Accounts Receivable	8,575	326,390	334,965
Prepaid Items	32,032	13,664	45,696
Nondepreciable Capital Assets	407,263	162,636	569,899
Depreciable Capital Assets, Net	11,115,841	6,418,634	17,534,475
<i>Total Assets</i>	<u>16,106,652</u>	<u>7,799,144</u>	<u>23,905,796</u>
<b>Liabilities</b>			
Accounts Payable	36,259	37,522	73,781
Contracts Payable	27,150	22,804	49,954
Accrued Wages Payable	18,826	8,216	27,042
Intergovernmental Payable	84,095	39,085	123,180
Retainage Payable	899	24,008	24,907
Deferred Revenue	274,882	0	274,882
Accrued Interest Payable	11,626	29,512	41,138
Notes Payable	125,000	0	125,000
Customer Deposits Payable	0	86,295	86,295
Long-Term Liabilities:			
Due within One Year	121,364	226,861	348,225
Due in More than One Year	880,080	1,962,816	2,842,896
<i>Total Liabilities</i>	<u>1,580,181</u>	<u>2,437,119</u>	<u>4,017,300</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	10,522,852	4,436,264	14,959,116
Restricted for:			
Unclaimed Monies	16,528	0	16,528
Streets	304,143	0	304,143
Parks	335,458	0	335,458
Capital Projects	1,110,812	0	1,110,812
Other Purposes	155,911	0	155,911
Unrestricted	2,080,767	925,761	3,006,528
<i>Total Net Assets</i>	<u>\$14,526,471</u>	<u>\$5,362,025</u>	<u>\$19,888,496</u>

See accompanying notes to the basic financial statements

**City of Nelsonville, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2009

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
<b>Governmental Activities</b>				
General Government	\$529,359	\$24,476	\$0	\$0
Security of Persons and Property:				
Police	780,556	50,626	0	0
Fire	469,677	17,252	0	0
Transportation	941,564	0	185,267	0
Leisure Time Activities	248,756	94,615	7,135	0
Community Environment	317,838	383	3,525	988,083
Interest and Fiscal Charges	37,717	0	0	0
<i>Total Governmental Activities</i>	<u>3,325,467</u>	<u>187,352</u>	<u>195,927</u>	<u>988,083</u>
<b>Business-Type Activities</b>				
Water	1,073,685	956,917	0	11,926
Sewer	976,439	991,966	0	11,220
Parking Meter	21,509	17,649	0	0
<i>Total Business-Type Activities</i>	<u>2,071,633</u>	<u>1,966,532</u>	<u>0</u>	<u>23,146</u>
<i>Totals</i>	<u>\$5,397,100</u>	<u>\$2,153,884</u>	<u>\$195,927</u>	<u>\$1,011,229</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  
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
(\$504,883)	\$0	(\$504,883)
(729,930)	0	(729,930)
(452,425)	0	(452,425)
(756,297)	0	(756,297)
(147,006)	0	(147,006)
674,153	0	674,153
(37,717)	0	(37,717)
(1,954,105)	0	(1,954,105)
0	(104,842)	(104,842)
0	26,747	26,747
0	(3,860)	(3,860)
0	(81,955)	(81,955)
(1,954,105)	(81,955)	(2,036,060)
173,517	0	173,517
165,765	0	165,765
3,865	0	3,865
18,170	0	18,170
1,156,831	0	1,156,831
235,201	0	235,201
255,725	0	255,725
173,354	0	173,354
159,192	0	159,192
72,745	640	73,385
2,414,365	640	2,415,005
460,260	(81,315)	378,945
14,066,211	5,443,340	19,509,551
<u>\$14,526,471</u>	<u>\$5,362,025</u>	<u>\$19,888,496</u>

**City of Nelsonville, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2009*

	General	Grants	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$1,837,395	\$51,773	\$1,047,859	\$569,338	\$3,506,365
Restricted Assets: Cash and Cash Equivalents	16,528	0	0	0	16,528
Receivables:					
Property Taxes	180,211	0	0	133,021	313,232
Income Taxes	266,876	0	65,753	54,149	386,778
Accounts	5,784	0	0	2,791	8,575
Intergovernmental	161,248	62,273	0	87,889	311,410
Interfund	8,628	0	0	0	8,628
Prepaid Items	24,565	0	0	7,467	32,032
<i>Total Assets</i>	<u>\$2,501,235</u>	<u>\$114,046</u>	<u>\$1,113,612</u>	<u>\$854,655</u>	<u>\$4,583,548</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$15,197	\$0	\$2,800	\$18,262	\$36,259
Contracts Payable	20,127	5,174	0	1,849	27,150
Accrued Wages Payable	15,249	0	0	3,577	18,826
Intergovernmental Payable	71,469	0	0	12,626	84,095
Retainage Payable	0	0	0	899	899
Deferred Revenue	518,476	62,273	46,961	250,633	878,343
Notes Payable	0	0	0	125,000	125,000
<i>Total Liabilities</i>	<u>640,518</u>	<u>67,447</u>	<u>49,761</u>	<u>412,846</u>	<u>1,170,572</u>
<b>Fund Balances</b>					
Reserved for Unclaimed Monies	16,528	0	0	0	16,528
Unreserved, Undesignated, Reported in:					
General Fund	1,844,189	0	0	0	1,844,189
Special Revenue Funds	0	46,599	0	441,809	488,408
Capital Projects Fund	0	0	1,063,851	0	1,063,851
<i>Total Fund Balances</i>	<u>1,860,717</u>	<u>46,599</u>	<u>1,063,851</u>	<u>441,809</u>	<u>3,412,976</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,501,235</u>	<u>\$114,046</u>	<u>\$1,113,612</u>	<u>\$854,655</u>	<u>\$4,583,548</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, 2009*

<b>Total Governmental Fund Balances</b>		<b>\$3,412,976</b>
 <i><b>Amounts reported for governmental activities  in the statement of net assets are different  because</b></i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		11,523,104
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:		
Property Taxes	35,956	
Income Taxes	276,239	
Intergovernmental Revenues	288,864	
Other Revenues	<u>2,402</u>	603,461
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Police Pension Payable	(72,699)	
Fire Pension Payable	(839)	
Notes Payable	(375,000)	
Loans Payable	(180,183)	
Capital Leases Payable	(320,069)	
Accrued Interest Payable	(11,626)	
Compensated Absences	<u>(52,654)</u>	<u>(1,013,070)</u>
 Net Assets of Governmental Activities		 <u><u>\$14,526,471</u></u>

See accompanying notes to the basic financial statements

**City of Nelsonville, Ohio**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2009**

	General	Grants	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$174,267	\$0	\$0	\$193,595	\$367,862
Income Taxes	1,128,570	0	279,113	234,406	1,642,089
Intergovernmental	258,858	1,159,759	0	191,323	1,609,940
Charges for Services	3,863	0	0	92,276	96,139
Fines, Licenses, and Permits	69,425	0	0	19,449	88,874
Interest	159,192	0	0	9,368	168,560
Gifts and Donations	0	0	0	8,290	8,290
Other	71,208	0	0	1,474	72,682
<b>Total Revenues</b>	<b>1,865,383</b>	<b>1,159,759</b>	<b>279,113</b>	<b>750,181</b>	<b>4,054,436</b>
<b>Expenditures</b>					
Current:					
General Government	503,892	0	0	0	503,892
Security of Persons and Property:					
Police	773,646	0	0	8,063	781,709
Fire	403,278	0	0	0	403,278
Transportation	0	0	0	511,078	511,078
Leisure Time Activities	0	0	0	199,860	199,860
Community Environment	8,827	275,021	0	8,875	292,723
Capital Outlay	194,550	884,240	133,156	148,596	1,360,542
Debt Service:					
Principal Retirement	495	0	109,775	3,106	113,376
Interest and Fiscal Charges	39	0	23,594	13,300	36,933
Current Refunding	0	0	0	125,000	125,000
<b>Total Expenditures</b>	<b>1,884,727</b>	<b>1,159,261</b>	<b>266,525</b>	<b>1,017,878</b>	<b>4,328,391</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(19,344)</b>	<b>498</b>	<b>12,588</b>	<b>(267,697)</b>	<b>(273,955)</b>
<b>Other Financing Sources (Uses)</b>					
Inception of Capital Lease	0	0	24,075	0	24,075
Proceeds of OWDA Loans	0	0	0	4,246	4,246
Proceeds of OPWC Loans	0	0	0	150,096	150,096
Issuance of Bond Anticipation Notes	0	0	0	375,000	375,000
Current Refunding	0	0	0	(375,000)	(375,000)
Transfers In	0	0	0	26,333	26,333
Transfers Out	(26,333)	0	0	0	(26,333)
<b>Total Other Financing Sources (Uses)</b>	<b>(26,333)</b>	<b>0</b>	<b>24,075</b>	<b>180,675</b>	<b>178,417</b>
<b>Net Change in Fund Balance</b>	<b>(45,677)</b>	<b>498</b>	<b>36,663</b>	<b>(87,022)</b>	<b>(95,538)</b>
<b>Fund Balances (Deficit) at Beginning of Year</b>	<b>1,906,394</b>	<b>46,101</b>	<b>1,027,188</b>	<b>528,831</b>	<b>3,508,514</b>
<b>Fund Balances at End of Year</b>	<b>\$1,860,717</b>	<b>\$46,599</b>	<b>\$1,063,851</b>	<b>\$441,809</b>	<b>\$3,412,976</b>

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, 2009*

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**Net Change in Fund Balances - Total Governmental Funds** (\$95,538)

***Amounts reported for governmental activities in the statement of activities are different because***

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:

Capital Assets Additions	1,459,333	
Depreciation Expense	<u>(690,986)</u>	768,347

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on disposal of assets:

(2,777)

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

Property Taxes	(6,545)	
Income Taxes	5,668	
Intergovernmental Revenues	(270,234)	
Charges for Services	2,339	
Other Revenue	<u>63</u>	(268,709)

Repayments of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:

Bond Anticipation Notes Payable	500,000	
OWDA Loans Payable	1,856	
OPWC Loans Payable	1,250	
Capital Leases Payable	110,270	
Police Pension Payable	1,562	
Fire Pension Payable	<u>18</u>	614,956

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

(784)

Other financing sources in the governmental funds that increase long-term liabilities in the statement of net assets are not reported:

Inception of Capital Leases	(24,075)	
Proceeds of Bond Anticipation Notes	(375,000)	
Proceeds of OWDA Loans	(4,246)	
Proceeds of OPWC Loans	<u>(150,096)</u>	(553,417)

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.

(1,818)

*Change in Net Assets of Governmental Activities*

\$460,260

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)  
General Fund  
For the Year Ended December 31, 2009*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$199,700	\$199,700	\$171,873	(\$27,827)
Income Taxes	1,097,950	1,097,950	1,067,330	(30,620)
Intergovernmental	164,500	164,500	487,985	323,485
Charges for Services	4,900	4,900	3,824	(1,076)
Fines, Licenses, and Permits	68,700	68,700	70,903	2,203
Interest	140,000	140,000	159,192	19,192
Other	10,000	10,000	70,916	60,916
<i>Total Revenues</i>	1,685,750	1,685,750	2,032,023	346,273
<b>Expenditures</b>				
Current:				
General Government	563,916	767,463	681,237	86,226
Security of Persons and Property:				
Police	642,775	827,768	771,070	56,698
Fire	343,321	434,285	411,847	22,438
Community Environment	7,357	31,171	8,826	22,345
Leisure Time Activities	0	1,234	0	1,234
Debt Service:				
Principal Retirements	413	495	495	0
Interest and Fiscal Charges	33	39	39	0
<i>Total Expenditures</i>	1,557,815	2,062,455	1,873,514	188,941
<i>Excess of Revenues Over Expenditures</i>	127,935	(376,705)	158,509	535,214
<b>Other Financing Uses</b>				
Transfers Out	(21,951)	(26,782)	(26,333)	449
<i>Net Change in Fund Balance</i>	105,984	(403,487)	132,176	535,663
<i>Fund Balance at Beginning of Year</i>	1,712,731	1,712,731	1,712,731	0
Prior Year Encumbrances Appropriated	9,016	9,016	9,016	0
<i>Fund Balance at End of Year</i>	\$1,827,731	\$1,318,260	\$1,853,923	\$535,663

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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$0	\$1,173,550	\$1,159,759	(\$13,791)
<b>Expenditures</b>				
Current:				
Community Environment	0	44,924	186,183	(141,259)
Capital Outlay	0	173,954	1,006,486	(832,532)
<i>Total Expenditures</i>	<u>0</u>	<u>218,878</u>	<u>1,192,669</u>	<u>(973,791)</u>
<i>Excess of Revenues Over Expenditures</i>	0	954,672	(32,910)	(987,582)
<i>Fund Balance (Deficit) at Beginning of Year</i>	61,445	61,445	61,445	0
Prior Year Encumbrances Appropriated	<u>23,238</u>	<u>23,238</u>	<u>23,238</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$84,683</u></u>	<u><u>\$1,039,355</u></u>	<u><u>\$51,773</u></u>	<u><u>(\$987,582)</u></u>

See accompanying notes to the basic financial statements

**City of Nelsonville, Ohio**  
**Statement of Fund Net Assets**  
**Enterprise Funds**  
**December 31, 2009**

	Water	Sewer	Parking Meter	Total Enterprise Funds
<b>Assets</b>				
Current :				
Equity in Pooled Cash and Cash Equivalents	\$256,399	\$521,554	\$0	\$777,953
Restricted Assets:				
Customer Deposits	51,777	34,518	0	86,295
Accounts Receivable	157,103	169,287	0	326,390
Intergovernmental Receivable	10,980	11,220	0	22,200
Prepaid Items	7,926	5,738	0	13,664
<i>Total Current Assets</i>	<u>484,185</u>	<u>742,317</u>	<u>0</u>	<u>1,226,502</u>
Noncurrent:				
Nondepreciable Capital Assets	36,497	126,139	0	162,636
Depreciable Capital Assets, Net	2,787,587	3,630,413	634	6,418,634
<i>Total Noncurrent Assets</i>	<u>2,824,084</u>	<u>3,756,552</u>	<u>634</u>	<u>6,581,270</u>
<i>Total Assets</i>	<u>3,308,269</u>	<u>4,498,869</u>	<u>634</u>	<u>7,807,772</u>
<b>Liabilities</b>				
Current:				
Accounts Payable	18,784	18,738	0	37,522
Contracts Payable	11,278	11,526	0	22,804
Retainage Payable	11,874	12,134	0	24,008
Accrued Wages Payable	4,886	3,330	0	8,216
Accrued Interest Payable	2,730	26,782	0	29,512
Intergovernmental Payable	20,539	17,489	1,057	39,085
Interfund Payable	0	0	8,628	8,628
OWDA Loans Payable	23,872	176,247	0	200,119
OPWC Loans Payable	2,845	2,905	0	5,750
Capital Leases Payable	3,814	3,814	0	7,628
Compensated Absences Payable	8,351	5,013	0	13,364
<i>Total Current Liabilities</i>	<u>108,973</u>	<u>277,978</u>	<u>9,685</u>	<u>396,636</u>
Long-Term:				
OWDA Loans Payable	317,869	1,407,508	0	1,725,377
OPWC Loans Payable	101,987	104,145	0	206,132
Compensated Absences Payable	20,674	10,633	0	31,307
Customer Deposits Payable	51,777	34,518	0	86,295
<i>Total Long-Term Liabilities</i>	<u>492,307</u>	<u>1,556,804</u>	<u>0</u>	<u>2,049,111</u>
<i>Total Liabilities</i>	<u>601,280</u>	<u>1,834,782</u>	<u>9,685</u>	<u>2,445,747</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	2,373,697	2,061,933	634	4,436,264
Unrestricted (Deficit)	333,292	602,154	(9,685)	925,761
<i>Total Net Assets (Deficit)</i>	<u>\$2,706,989</u>	<u>\$2,664,087</u>	<u>(\$9,051)</u>	<u>\$5,362,025</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, 2009*

	Water	Sewer	Parking Meter	Total Enterprise Funds
<b>Operating Revenues</b>				
Charges for Services	\$956,917	\$991,966	\$17,649	\$1,966,532
Other Operating Revenues	320	320	0	640
<i>Total Operating Revenues</i>	<u>957,237</u>	<u>992,286</u>	<u>17,649</u>	<u>1,967,172</u>
<b>Operating Expenses</b>				
Salaries and Wages	332,484	258,889	15,638	607,011
Fringe Benefits	171,380	111,929	4,195	287,504
Contractual Services	225,795	260,205	0	486,000
Materials and Supplies	213,634	75,593	1,520	290,747
Depreciation	123,832	214,108	156	338,096
<i>Total Operating Expenses</i>	<u>1,067,125</u>	<u>920,724</u>	<u>21,509</u>	<u>2,009,358</u>
<i>Operating Income (Loss)</i>	<u>(109,888)</u>	<u>71,562</u>	<u>(3,860)</u>	<u>(42,186)</u>
<b>Non-Operating Revenues (Expenses)</b>				
Interest and Fiscal Charges	(6,560)	(55,715)	0	(62,275)
<i>Income (Loss) before Contributions</i>	(116,448)	15,847	(3,860)	(104,461)
Capital Contributions	11,926	11,220	0	23,146
<i>Change in Net Assets</i>	(104,522)	27,067	(3,860)	(81,315)
<i>Net Assets at Beginning of Year</i>	<u>2,811,511</u>	<u>2,637,020</u>	<u>(5,191)</u>	<u>5,443,340</u>
<i>Net Assets (Deficit) at End of Year</i>	<u><u>\$2,706,989</u></u>	<u><u>\$2,664,087</u></u>	<u><u>(\$9,051)</u></u>	<u><u>\$5,362,025</u></u>

See accompanying notes to the basic financial statements

**City of Nelsonville, Ohio**  
**Statement of Cash Flows**  
**Enterprise Funds**  
For the Year Ended December 31, 2009

	Water	Sewer	Parking Meter	Total Enterprise Funds
<b>Increase (Decrease) in Cash and Cash Equivalents</b>				
<b>Cash Flows from Operating Activities:</b>				
Cash Received from Customers	\$934,398	\$966,195	\$18,055	\$1,918,648
Cash Payments for Employee Services and Benefits	(496,218)	(363,952)	(21,270)	(881,440)
Cash Payments to Suppliers for Goods and Services	(465,214)	(347,229)	(1,551)	(813,994)
Other Operating Revenues	320	320	0	640
Customer Deposits Received	9,570	6,380	0	15,950
Customer Deposits Returned	(1,950)	(1,300)	0	(3,250)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(19,094)</u>	<u>260,414</u>	<u>(4,766)</u>	<u>236,554</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Advances In	0	0	8,628	8,628
Advances Out	0	0	(3,862)	(3,862)
<i>Net Cash Provided by Non-Capital Financing Activities</i>	<u>0</u>	<u>0</u>	<u>4,766</u>	<u>4,766</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition of Capital Assets	(230,441)	(180,489)	0	(410,930)
Proceeds from OWDA Loans	25,897	26,463	0	52,360
Proceeds from OPWC Loans	63,881	65,202	0	129,083
Principal Paid on Debt	(98,992)	(171,120)	0	(270,112)
Interest Paid on Debt	(7,012)	(59,317)	0	(66,329)
Principal Paid on Capital Leases	(3,639)	(3,640)	0	(7,279)
Interest Paid on Capital Leases	(358)	(358)	0	(716)
Capital Contributions	106,294	107,653	0	213,947
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(144,370)</u>	<u>(215,606)</u>	<u>0</u>	<u>(359,976)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(163,464)	44,808	0	(118,656)
<i>Cash and Cash Equivalents at Beginning of Year</i>	471,640	511,264	0	982,904
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$308,176</u>	<u>\$556,072</u>	<u>\$0</u>	<u>\$864,248</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>				
<i>Operating Income (Loss)</i>	(\$109,888)	\$71,562	(\$3,860)	(\$42,186)
<i>Adjustments:</i>				
Depreciation	123,832	214,108	156	338,096
(Increase) Decrease in Assets:				
Accounts Receivable	(22,519)	(25,771)	406	(47,884)
Prepays Items	5,575	496	0	6,071
Increase (Decrease) in Liabilities:				
Accounts Payable	(31,220)	(14,437)	(31)	(45,688)
Accrued Wages Payable	2,063	1,242	(325)	2,980
Compensated Absences Payable	7,294	8,771	(823)	15,242
Customer Deposits	7,560	5,040	0	12,600
Intergovernmental Payable	(1,791)	(597)	(289)	(2,677)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(\$19,094)</u>	<u>\$260,414</u>	<u>(\$4,766)</u>	<u>\$236,554</u>

See accompanying notes to the basic financial statements

**City of Nelsonville, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Fund*  
*December 31, 2009*

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**Assets**

Cash and Cash Equivalents in Segregated Accounts	<u><u>\$2,283</u></u>
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**Liabilities**

Intergovernmental Payable	\$1,716
Undistributed Monies	<u>567</u>

<i>Total Liabilities</i>	<u><u>\$2,283</u></u>
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See accompanying notes to the basic financial statements

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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

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

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

***Reporting Entity***

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

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

The City participates in the Athens County Regional Planning Commission, defined as a jointly governed organization. This organization is presented in Note 8 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.

***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.

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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**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.

**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.

**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.

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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**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.

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.

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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***D. Basis of Accounting***

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

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2009, but which were levied to finance year 2010 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.

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.

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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***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 2009, investments were limited to nonnegotiable certificates of deposit, which are reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest is credited to the General Fund and the Street Construction and Maintenance, State Highway, and Permissive Tax Special Revenue Funds. Interest revenue credited to the General Fund during 2009 amounted to \$159,192, which includes \$91,564 assigned from other City funds.

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

***G. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2009, 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.

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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**H. Restricted Assets**

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

**I. Capital Assets**

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

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

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

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

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

**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.

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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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 unclaimed monies. By statute, unclaimed monies are not available for appropriation until they have remained unclaimed for five years.

***M. Interfund Activity***

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

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

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

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

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

***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.

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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**P. Net Assets**

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

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

**Q. Operating Revenues and Expenses**

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

**R. Extraordinary and Special Items**

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

**Note 3 – Accountability and Compliance**

**A. Fund Deficits**

The Street Levy and Baird Trust Special Revenue Funds had deficit fund balances of \$7,544 and \$5,077, respectively, and the Parking Meter Enterprise Fund had deficit unrestricted net assets of \$9,051 as of December 31, 2009. These deficits 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 Grants Special Revenue Fund had expenditures which exceeded appropriations for the year ended December 31, 2009, by \$973,791.

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

**Note 4 – Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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

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

Net Change in Fund Balance		
	General	Grants
GAAP Basis	(\$45,677)	\$498
Revenue Accruals	166,640	0
Expenditure Accruals	12,319	(33,408)
Beginning of Year Prepaid Items	23,459	0
End of Year Prepaid Items	(24,565)	0
Budget Basis	\$132,176	(\$32,910)

**Note 5 – Deposits and Investments**

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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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 \$4,389,424 and the bank balance was \$4,486,625. Of the bank balance, \$2,035,185 was covered by Federal depository insurance and \$2,451,440 was exposed to custodial credit risk because it was uninsured and collateralized with securities held in single financial institution collateral pools in the name of the respective depository bank and pledged as a pool of collateral against all public money it holds.

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

#### **Note 6 – Receivables**

Receivables at December 31, 2009, consisted primarily of municipal income taxes, property taxes, accounts (billings for user fees including unbilled utility services), and intergovernmental receivables arising from entitlements and shared revenues.

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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

**A. Property Taxes**

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 2009 for real and public utility property taxes represent collections of 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) are for 2009 taxes.

2009 real property taxes are levied after October 1, 2009, on assessed value as of January 1, 2009, the lien date. Assessed values are established by State law at thirty-five percent of the appraised market value. 2009 real property taxes are collected in and intended to finance 2010.

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. 2009 public utility property taxes became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2010 real property taxes.

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

The full tax rate for all City operations for the year ended December 31, 2009, was \$9.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

Real Property	\$46,899,640
Public Utility Tangible Personal Property	<u>2,691,380</u>
Total Assessed Value	<u><u>\$49,591,020</u></u>

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable at September 20. The tangible personal property tax is being phased out – the assessed percentage for all property including inventory for 2009 it was reduced to zero.

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, 2009, 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 2009 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.

**City of Nelsonville, Ohio**  
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**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:

	Amounts
<b>Governmental Activities:</b>	
Local Government	\$64,448
Kilowatt Per Hour	3,538
Homestead and Rollback	19,776
Gasoline Tax	57,802
Motor Vehicle License Tax	11,782
H.B. 66 Tax Loss Reimbursement	4,106
Community Housing Improvement Program	62,273
Ohio Department of Transportation	83,051
Ohio Public Works Commission	1,800
Miscellaneous	2,834
	311,410
<b>Business-Type Activities:</b>	
Ohio Public Works Commission	22,200
<b>Total Intergovernmental Receivables</b>	<b>\$333,610</b>

**Note 7- Employee Benefits**

**A. Insurance**

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

The City provides comprehensive major medical insurance through Anthem Blue Cross and Blue Shield. Monthly premiums are \$477.33 for single coverage and \$1,473.52 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 \$30.87 for single coverage and \$114.83 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.

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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**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 8 –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 2009, the City made no contributions to the Commission.

**Note 9 – Contractual Commitments**

As of December 31, 2009, the City had contractual commitments for the following project:

Project	Vendor	Contract Amount	Amount Expended	Balance at 12/31/08
Wastewater Treatment Plant Standby Generator	Poggemeyer Design	\$20,000	\$6,681	\$13,319

**Note 10 - 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:

**City of Nelsonville, Ohio**  
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Property	Deductible	Limits of Coverage
Real Property	\$1,000	\$13,403,101
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.

**Note 11 – Interfund Activity and Balances**

**A. Transfers**

The General Fund made a transfer to the Street Levy Special Revenue Fund in the amount of \$26,333. The transfer was used to move unrestricted revenue collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**B. Interfund Balances**

Interfund Balances at December 31, 2009 of \$8,628 arise from the provision of cash flow resources from the General Fund until the receipt of fines, licenses, and permit monies by the Parking Meter Enterprise Fund.

**City of Nelsonville, Ohio**  
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**Note 12 – Capital Assets**

Capital asset activity for the year ended December 31, 2009, was as follows:

	Balance at 12/31/08	Additions	Deductions	Balance at 12/31/09
<b>Governmental Activities:</b>				
Capital Assets not being Depreciated:				
Land	\$407,263	\$0	\$0	\$407,263
Construction in Progress	1,014,610	1,293,232	2,307,842	0
<b>Total Capital Assets not being Depreciated</b>	<b>1,421,873</b>	<b>1,293,232</b>	<b>2,307,842</b>	<b>407,263</b>
Depreciable Capital Assets:				
Land Improvements	233,134	1,142,020	0	1,375,154
Buildings and Improvements	3,014,545	663	0	3,015,208
Furniture, Fixtures, and Equipment	833,825	115,028	7,573	941,280
Vehicles	1,320,431	25,505	0	1,345,936
U.S. and State Roads	7,203,622	0	0	7,203,622
City Streets	4,954,604	1,190,727	0	6,145,331
Street Signals	683,618	0	0	683,618
<b>Total Depreciable Capital Assets</b>	<b>18,243,779</b>	<b>2,473,943</b>	<b>7,573</b>	<b>20,710,149</b>
Less Accumulated Depreciation:				
Land Improvements	64,605	29,379	0	93,984
Buildings and Improvements	683,516	71,613	0	755,129
Furniture, Fixtures, and Equipment	575,331	52,103	4,796	622,638
Vehicles	762,485	82,307	0	844,792
U.S. and State Roads	2,376,756	329,479	0	2,706,235
City Streets	4,042,306	96,191	0	4,138,497
Street Signals	403,119	29,914	0	433,033
<b>Total Accumulated Depreciation</b>	<b>8,908,118</b>	<b>690,986 *</b>	<b>4,796</b>	<b>9,594,308</b>
<b>Total Capital Assets being Depreciated, Net</b>	<b>9,335,661</b>	<b>1,782,957</b>	<b>2,777</b>	<b>11,115,841</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$10,757,534</b>	<b>\$3,076,189</b>	<b>\$2,310,619</b>	<b>\$11,523,104</b>

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

General Governemnt	\$21,535
Security of Persons and Property:	
Police	28,334
Fire	70,313
Transportation	479,263
Leisure Time Activities	66,426
Community Environment	25,115
<b>Total Depreciation Expenses</b>	<b>\$690,986</b>

**City of Nelsonville, Ohio**  
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	Balance at 12/31/08	Additions	Deductions	Balance at 12/31/09
<b>Business-Type Activities:</b>				
Capital Assets not being Depreciated				
Land	\$155,955	\$0	\$0	\$155,955
Construction in Progress	540,312	189,102	722,733	6,681
Total Capital Assets not being Depreciated	696,267	189,102	722,733	162,636
Depreciable Capital Assets:				
Land Improvements	24,752	0	0	24,752
Furniture, Fixtures, and Equipment	1,094,994	59,042	0	1,154,036
Vehicles	144,336	0	0	144,336
Infrastructure	10,040,910	761,427	0	10,802,337
Total Capital Assets being Depreciated	11,304,992	820,469	0	12,125,461
Less Accumulated Depreciation:				
Land Improvements	18,995	353	0	19,348
Furniture, Fixtures, and Equipment	873,601	44,393	0	917,994
Vehicles	122,310	12,083	0	134,393
Infrastructure	4,353,825	281,267	0	4,635,092
Total Accumulated Depreciation	5,368,731	338,096	0	5,706,827
Total Capital Assets being Depreciated, Net	5,936,261	482,373	0	6,418,634
Business-Type Activities Capital Assets, Net	<u>\$6,632,528</u>	<u>\$671,475</u>	<u>\$722,733</u>	<u>\$6,581,270</u>

**Note 13 - Defined Benefit Pension Plans**

**A. Ohio Public Employees Retirement System**

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

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2009, members in state and local classifications contributed 10.0 percent of covered payroll.

**City of Nelsonville, Ohio**  
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The City's contribution rate for 2009 was 14.0 percent. For the period January 1 to March 31, 2009, a portion of the City's contribution rate equal to 7.0 percent of covered payroll was allocated to fund the post-employment health care plan; for the period April 1 through December 31, 2009, this amount was decreased to 5.5 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14.0 percent.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2009, 2008, and 2007, were \$99,141, \$85,395 and \$176,385 respectively; 91.03 percent has been contributed for 2009 and 100 percent for 2008 and 2007. There were no member-directed plan contributions for 2009 for the City of Nelsonville.

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

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to 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 2009, 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 \$42,014 and \$21,153 for the year ended December 31, 2009, \$39,053 and \$26,778 for the year ended December 31, 2008, and \$28,966 and \$28,820 for the year ended December 31, 2007. The full amount has been contributed for 2008 and 2007. 69.13 percent has been contributed for police and 72.69 percent has been contributed for firefighters for 2009.

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, 2009, the unfunded police and firefighters liability of the City was \$72,699 and \$839, respectively, payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary.

**Note 14 - 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**  
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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 2009, local government employers contributed 14.0 percent of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. For 2009, the amount of the employer contributions which were allocated to fund post-employment health care was 7.0 percent from January 1 through March 31, 2009, and 5.5% from April 1 through December 31, 2009.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008, and 2007, were \$60,439, \$59,185 and \$50,313 respectively; 91.03 percent has been contributed for 2009 and 100 percent for 2008 and 2007.

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

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

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

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

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

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

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

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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, 2009, 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.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$22,243 and \$8,277 for the year ended December 31, 2009, \$20,675 and \$10,478 for the year ended December 31, 2008, and \$15,335 and \$11,277 for the year ended December 31, 2007. The full amount has been contributed for 2008 and 2007. 69.13 percent has been contributed for police and 72.69 percent has been contributed for firefighters for 2009.

**Note 15 – 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, 2009.

**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 16 – Notes Payable**

A summary of the note transactions for the year ended December 31, 2009, follows:

	Principal Outstanding 12/31/08	Additions	Deductions	Principal Outstanding 12/31/09
2008 Aquatic Center Bond Anticipation Notes - 2.05%	\$125,000	\$0	\$125,000	\$0
2009 Aquatic Center Bond Anticipation Notes - 2.75%	0	125,000	0	125,000
<b>Total Governmental Activities</b>	<b>\$125,000</b>	<b>\$125,000</b>	<b>\$125,000</b>	<b>\$125,000</b>

The Aquatic Center bond anticipation note is backed by the full faith and credit of the City of Nelsonville. The aquatic center note was issued on February 26, 2009, and matures on February 25, 2010. On February 26, 2010, 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.

**City of Nelsonville, Ohio**  
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**Note 17 – Capital Leases – Lessee Disclosure**

During 2009, the City entered into one new lease for the purchase of a police cruiser. In prior years, the City had entered into several capital leases for the purchase of vehicles, heavy equipment, and office equipment.

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

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Machinery and Equipment	\$26,423	\$42,585
Vehicles	909,321	0
Less: Accumulated Depreciation	(461,066)	(14,489)
Total	<u>\$474,678</u>	<u>\$28,096</u>

The following is a schedule of the future minimum lease payments required under the capital lease agreements and the present value of the minimum lease payments as of December 31, 2009:

Year Ending December 31,	Governmental Activities	Business-Type Activities
2010	\$115,579	\$7,994
2011	102,559	0
2012	71,766	0
2013	18,702	0
2014	18,702	0
2015 - 2016	37,404	0
Total Minimum Lease Payments	364,712	7,994
Less: Amount Representing Interest	(44,643)	(366)
Present Value of Minimum Lease Payments	<u>\$320,069</u>	<u>\$7,628</u>

**City of Nelsonville, Ohio**  
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**Note 18 – Long Term Obligations**

A schedule of changes in long-term obligations of the City during 2009 follows:

	Principal Outstanding 12/31/08	Adds	Deletes	Principal Outstanding 12/31/09	Amounts Due in One Year
<b>Business-Type Activities:</b>					
OWDA Loans:					
1989 Sewer Improvements Loan - 8.26%	\$411,259	\$0	\$69,739	\$341,520	\$75,500
1998 Sylvania Avenue Sewer Loan - 2.20%	296,661	0	28,404	268,257	29,032
2002 Sewer Digestor Loan - 2.20%	661,665	0	44,486	617,179	45,470
2002 State Route 33 Sewer Improvements Loan - 2.00%	217,660	0	16,380	201,280	14,506
2002 Water Improvements Loan - 2.00%	202,037	0	12,140	189,897	12,384
2007 Adams Street Sewer Improvements Loan - 2.00%	140,624	26,463	11,568	155,519	11,739
2007 Adams Street Water Improvements Loan - 2.00%	137,267	25,897	11,320	151,844	11,488
<b>Total OWDA Loans</b>	<b>2,067,173</b>	<b>52,360</b>	<b>194,037</b>	<b>1,925,496</b>	<b>200,119</b>
OPWC Loans:					
2008 OPWC Adams Street Sewer Improvements Loan - 0%	42,391	65,202	543	107,050	2,905
2008 OPWC Adams Street Water Improvements Loan - 0%	41,483	63,881	532	104,832	2,845
<b>Total OPWC Loans</b>	<b>83,874</b>	<b>129,083</b>	<b>1,075</b>	<b>211,882</b>	<b>5,750</b>
1989 Water System Revenue Bonds - 6.70 - 7.50%	75,000	0	75,000	0	0
Capital Leases	14,907	0	7,279	7,628	7,628
Compensated Absences	29,429	23,449	8,207	44,671	13,364
<b>Total Business-Type Activities:</b>	<b>\$2,270,383</b>	<b>\$204,892</b>	<b>\$285,598</b>	<b>\$2,189,677</b>	<b>\$226,861</b>
<b>Governmental Activities:</b>					
2008 Aquatic Center Bond Anticipation Note - 2.05%	\$500,000	\$0	\$500,000	\$0	\$0
2009 Aquatic Center Bond Anticipation Note - 2.75%	0	375,000	0	375,000	0
2007 OWDA Adams Street Improvements Loan - 2.00%	22,146	4,246	1,856	24,536	1,889
2008 OPWC Adams Street Improvements Loan - 0%	6,801	150,096	1,250	155,647	6,685
Capital Leases	406,264	24,075	110,270	320,069	97,928
Police and Fire Pension Liability	75,118	0	1,580	73,538	1,648
Compensated Absences	50,836	17,720	15,902	52,654	13,214
<b>Total Governmental Activities:</b>	<b>\$1,061,165</b>	<b>\$571,137</b>	<b>\$630,858</b>	<b>\$1,001,444</b>	<b>\$121,364</b>

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

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

Principal and interest requirements to retire the Sewer Improvements, Sylvania Avenue, and Sewer Digester OWDA Loan liabilities at December 31, 2009, are as follows:

Year Ended December 31,	Principal	Interest	Total
2010	\$150,002	\$47,282	\$197,284
2011	157,887	39,397	197,284
2012	166,322	30,961	197,283
2013	175,353	21,931	197,284
2014	81,317	12,257	93,574
2015 - 2019	381,638	34,075	415,713
2020 - 2021	114,437	3,164	117,601
	<u>\$1,226,956</u>	<u>\$189,067</u>	<u>\$1,416,023</u>

The 2002 OWDA Route 33 Sewer Improvements Loan, authorized in the amount of \$310,000, was used to finance the sewer treatment plant expansion and improvements. The loan activity is reflected in the Sewer Enterprise Fund which received the proceeds and will repay the debt. Though the loan has been fully drawn down, it has not been finalized as of December 31, 2009; therefore, an amortization schedule has not been established.

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

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

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

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

Principal and interest requirements to retire the Water Improvements OWDA Loan liability at December 31, 2009, are as follows:

Year Ended December 31,	Principal	Interest	Total
2010	\$12,384	\$3,736	\$16,120
2011	12,633	3,487	16,120
2012	12,887	3,233	16,120
2013	13,146	2,974	16,120
2014	13,411	2,710	16,121
2015 - 2019	71,205	9,398	80,603
2020 - 2023	54,231	2,191	56,422
	<u>\$189,897</u>	<u>\$27,729</u>	<u>\$217,626</u>

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

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

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

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

The 1989 Water System Revenue bonds, originally issued for \$825,000, represent amounts borrowed from the Farmer's Home Administration for the purpose of improving the water system. The bonds will be repaid from the Water Enterprise Fund. The Water System Revenue bonds were retired during 2009.

The City has pledged future sewer customer revenues to repay \$3,075,080 in sewer system OWDA and OPWC loans obtained in 1989, 1998, 2002, 2007, and 2008. The loans are payable solely from sewer customer net revenues and are payable through 2021. Net revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loans are expected to require less than 55 percent of net revenues in future years. The total principal and interest remaining to be paid on the loans are \$1,879,882. Principal and interest payments for the current year were \$230,437, net revenues were \$303,431, and total revenues were \$1,003,506.

**City of Nelsonville, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

The City has pledged future water customer revenues to repay \$520,008 in water system OWDA and OPWC loans obtained in 2002, 2007, and 2008, and to repay the \$825,000 water system revenue bonds issued in 1989. The loans and bonds are payable solely from water customer net revenues and are payable through 2023. Net revenues include all revenues received by the water utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the bonds should require less than 100 percent of net revenues in future years; however, in 2009, principal and interest payments exceeded net revenues and are expected to exceed net revenues in 2010. The total principal and interest remaining to be paid on the loans are \$446,573. Principal and interest payments for the current year were \$108,597, net revenues were \$25,807, and total revenues were \$969,160.

The Aquatic Center bond anticipation note was issued on February 26, 2009, for \$500,000 and matures on February 27, 2010. This bond anticipation note was issued for the purpose of acquiring and constructing the City's aquatic center. The note will be retired through municipal income taxes and revenues from user fees derived from the operation of the aquatic center. On February 25, 2010, \$375,000 of the note was rolled into a new note that matures on February 24, 2011; \$125,000 was repaid. Therefore, \$125,000 of the note issue was shown in the short-term notes payable schedule in Note 16.

Principal and interest requirements to retire the Police and Fire Pension liability at December 31, 2009, are as follows:

Year Ended December 31,	Principal	Interest	Total
2010	\$1,648	\$3,108	\$4,756
2011	1,719	3,037	4,756
2012	1,792	2,964	4,756
2013	1,869	2,887	4,756
2014	1,950	2,806	4,756
2015 - 2019	11,080	12,702	23,782
2020 - 2024	13,669	10,108	23,777
2025 - 2029	16,871	6,908	23,779
2030 - 2034	20,818	2,964	23,782
2035	2,122	46	2,168
	<u>\$73,538</u>	<u>\$47,530</u>	<u>\$121,068</u>

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

The City's overall legal debt margin was \$4,206,805 at December 31, 2009.

**Note 19 –Subsequent Events**

On February 25, 2010, the City issued a \$375,000 bond anticipation note which will mature on February 24, 2011. This new note, in combination with a \$125,000 principal payment, retired the 2009 Aquatic Center bond anticipation note of \$500,000.

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

City of Nelsonville  
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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 27, 2010. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-001.

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

We did note certain matters not requiring inclusion in this report that we have reported to the Members of Council and management in a separate letter dated August 27, 2010.

The City's response to the finding identified in our audit are described in the accompanying schedule of findings. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the Members of Council, management, audit committee, federal awarding agencies and pass-through entities, 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.

August 27, 2010

**CITY OF NELSONVILLE, ATHENS COUNTY**  
**Schedule of Findings**  
**For the Year Ended December 31, 2009**

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

*Finding Number 2009-001*

**Amended Appropriations - Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B) and (D), states that no subdivision or taxing authority is to expend money unless it has been appropriated. The City Auditor should not certify the availability of funds and should deny payment requests exceeding appropriations. The City Auditor may request the City Council to approve increased disbursement level by increasing appropriations and amending estimated resources, if necessary.

The City had disbursements plus encumbrances that exceeded approved appropriations for the following funds in 2009: Grants Fund. Failing to comply with this requirement could lead to the City disbursing more than is actually available to spend and cause the fund to have negative fund cash balance.

The City Auditor should review appropriations and year-to-date disbursements prior to certifying funds are available for each purchase request. The City Council should also review the appropriations and year-to-date disbursements on a regular basis. This will lead to an earlier recognition of the need to increase appropriations.

**Officials' Response**

After reviewing this information, the City agrees that appropriations should have been increased in the Grant Fund to allow for the amounts expended. The expenditures in question were part of the City's grant agreement with the Ohio Department of Transportation (ODOT) for the construction of the City's bike path. This project was administered by ODOT, who handled all of the contracting and oversight. ODOT also made payments on-behalf of the City directly to the contractors as work was completed. Therefore, these "grant" funds never passed through the City (revenue or expenditures). While the City never received or disbursed these funds, we now understand that by applying for the grant and signing the agreement with ODOT these funds are a grant of the City and the transactions should have been recorded in the City's system and appropriately budgeted according to the Ohio Revised Code. As City Auditor, I am currently in the process of developing procedures to ensure that "on-behalf" transactions are properly recorded and budgeted for future projects.

**CITY OF NELSONVILLE, ATHENS COUNTY**  
**Schedule of Prior Audit Findings**  
**For the Year Ended December 31, 2009**

Description	Status	Comments
<b><i>Government Auditing Standards:</i></b>		
1. Material Weakness - All three copies of the triplicate receipt for voided transactions were not retained.	Corrected	N/A
2. Material Weakness - One employee was over compensated.	Corrected	N/A
3. Material Weakness - Some purchases were made without proper documentation.	Corrected	N/A
4. Noncompliance Citation - One fund a negative cash balance.	Corrected	N/A

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**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  
NOVEMBER 18, 2010**