



CITY OF NELSONVILLE, OHIO

Regular Audit

For the Year Ended December 31, 2011

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS





Dave Yost • Auditor of State

City Council
City of Nelsonville
211 Lake Hope Drive
Nelsonville, Ohio 43674

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, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

December 4, 2012

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ATHENS COUNTY, OHIO
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ATHENS COUNTY, OHIO
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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Nelsonville, Ohio, (the City) as of and for the year ended December 31, 2011, 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, 2011, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparisons for the General, Street Levy, Grants and Aquatic Center Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2011, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 26, 2012 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

Accounting principles generally accepted in the United States of America require this presentation to include Management's Discussion and Analysis and required budgetary comparison schedules as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

June 26, 2012

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City of Nelsonville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

The discussion and analysis of the City of Nelsonville's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2011. 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 2011 are as follows:

- In total, net assets increased \$1,042,543. Net assets of governmental activities increased \$692,894, or 4.9 percent from 2010. Net assets of business-type activities increased \$349,649, or 6.2 percent from 2010.
- In total, assets increased \$681,584. Governmental activities assets increased \$413,389, while the business-type activities assets increased \$268,195.
- Overall, capital assets increased \$363,228. Total capital assets of governmental activities increased \$431,628, or 3.9 percent. Capital assets of business-type activities decreased \$68,400, or 1.1 percent.
- In total, liabilities decreased \$360,959. Total liabilities of governmental activities decreased \$279,505. Total liabilities of business-type activities decreased \$81,454 from 2010.

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 2011?" 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, 2011
Unaudited

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

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

Reporting the City of Nelsonville's Most Significant Funds

Fund Financial Statements

The basic governmental fund financial statements begin on page 16. Fund financial reports provide detailed information about the City's major funds. Based upon restrictions on the use of monies, the City has established many funds which account for the multitude of services provided to our residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Nelsonville, our major funds are the General Fund; the Street Levy, Grants, and Aquatic Center Special Revenue Funds; the Capital Improvements Capital Projects Fund; and the Water, Sewer, and Parking Meter Enterprise Funds.

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

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

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

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

City of Nelsonville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011
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 2011 compared to 2010.

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Current and Other Assets	\$4,508,383	\$4,526,622	\$1,773,658	\$1,437,063	\$6,282,041	\$5,963,685
Capital Assets, Net	11,534,887	11,103,259	6,345,441	6,413,841	17,880,328	17,517,100
<i>Total Assets</i>	<u>16,043,270</u>	<u>15,629,881</u>	<u>8,119,099</u>	<u>7,850,904</u>	<u>24,162,369</u>	<u>23,480,785</u>
Liabilities						
Current and Other Liabilities	665,151	761,545	190,942	196,123	856,093	957,668
Long-Term Liabilities:						
Due within One Year	111,886	105,092	263,696	235,149	375,582	340,241
Due in More than One Year	492,156	682,061	1,710,653	1,815,473	2,202,809	2,497,534
<i>Total Liabilities</i>	<u>1,269,193</u>	<u>1,548,698</u>	<u>2,165,291</u>	<u>2,246,745</u>	<u>3,434,484</u>	<u>3,795,443</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	10,934,244	10,327,778	4,427,757	4,425,199	15,362,001	14,752,977
Restricted for:						
Streets	338,877	287,301	0	0	338,877	287,301
Police	37,764	36,589	0	0	37,764	36,589
Parks	370,073	424,119	0	0	370,073	424,119
Capital Projects	1,031,452	1,018,067	0	0	1,031,452	1,018,067
Other Purposes	398,399	91,206	0	0	398,399	91,206
Unrestricted	1,663,268	1,896,123	1,526,051	1,178,960	3,189,319	3,075,083
<i>Total Net Assets</i>	<u>\$14,774,077</u>	<u>\$14,081,183</u>	<u>\$5,953,808</u>	<u>\$5,604,159</u>	<u>\$20,727,885</u>	<u>\$19,685,342</u>

Total governmental activities assets increased \$413,389. This is primarily due to increases in capital assets in the amount of \$431,628 and intergovernmental receivables of \$327,770, offset by a decrease in cash and cash equivalents in the amount of \$314,050. The increases in capital assets are due to a change in accounting estimate made by the City in 2011. The City changed its capitalization threshold from \$500 to \$1,500, and increased the estimated useful life of some infrastructure assets. The increase in intergovernmental receivables is the result of an increase in funding from the Community Housing Improvement Program. The decrease in cash and cash equivalents is due to decreases in operational revenue.

Total governmental activities liabilities decreased \$279,505. Current and other liabilities decreased \$96,394. This is primarily the result of decreases in contracts payable of \$95,395 due to the completion of the City's new salt shed. Long-term liabilities decreased \$183,111 as the City made required debt service payments greater than amounts issued for new debt.

Total business-type activities assets increased \$268,195. This is primarily due to increases in cash and cash equivalents in the amount of \$339,201, the result of increased capital contributions, offset by a decrease in capital assets of \$68,400, resulting from a change in accounting estimate made by the City in 2011. The City changed its capitalization threshold from \$500 to \$1,500, and increased the estimated useful life of some infrastructure assets.

For business-type activities, liabilities decreased \$81,454, primarily the result of long-term liabilities decreasing \$76,273 as the City made required debt service payments greater than amounts issued for new debt.

City of Nelsonville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011
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Table 2 reflects the change in net assets of the current year from the prior year.

(Table 2)
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues						
Charges for Services	\$160,859	\$180,136	\$2,081,568	\$2,062,882	\$2,242,427	\$2,243,018
Operating Grants, Contributions and Interest	743,136	292,489	0	0	743,136	292,489
Capital Grants and Contributions	0	38,000	70,713	45,796	70,713	83,796
<i>Total Program Revenues</i>	<u>903,995</u>	<u>510,625</u>	<u>2,152,281</u>	<u>2,108,678</u>	<u>3,056,276</u>	<u>2,619,303</u>
General Revenues						
Property Taxes	428,692	447,151	0	0	428,692	447,151
Income Taxes	1,648,495	1,731,519	0	0	1,648,495	1,731,519
Grants and Entitlements	180,348	69,263	0	0	180,348	69,263
Interest	21,101	64,634	0	0	21,101	64,634
Other	13,473	0	0	0	13,473	0
Insurance Recoveries	46,660	77,588	1,735	25,431	48,395	103,019
<i>Total General Revenues</i>	<u>2,338,769</u>	<u>2,390,155</u>	<u>1,735</u>	<u>25,431</u>	<u>2,340,504</u>	<u>2,415,586</u>
Total Revenues	<u>3,242,764</u>	<u>2,900,780</u>	<u>2,154,016</u>	<u>2,134,109</u>	<u>5,396,780</u>	<u>5,034,889</u>
Program Expenses						
General Government	560,003	646,764	0	0	560,003	646,764
Security of Persons and Property:						
Police	828,798	844,414	0	0	828,798	844,414
Fire	423,065	405,254	0	0	423,065	405,254
Transportation	353,206	994,752	0	0	353,206	994,752
Leisure Time Activities	141,900	243,922	0	0	141,900	243,922
Community Environment	194,617	138,427	0	0	194,617	138,427
Interest and Fiscal Charges	23,981	32,535	0	0	23,981	32,535
Water	0	0	931,305	999,831	931,305	999,831
Sewer	0	0	897,062	931,588	897,062	931,588
Parking Meter	0	0	300	556	300	556
<i>Total Program Expenses</i>	<u>2,525,570</u>	<u>3,306,068</u>	<u>1,828,667</u>	<u>1,931,975</u>	<u>4,354,237</u>	<u>5,238,043</u>
<i>Increase (Decrease) in Net Assets before Transfers</i>	717,194	(405,288)	325,349	202,134	1,042,543	(203,154)
<i>Transfers</i>	(24,300)	(40,000)	24,300	40,000	0	0
<i>Increase (Decrease) in Net Assets</i>	692,894	(445,288)	349,649	242,134	1,042,543	(203,154)
<i>Net Assets at Beginning of Year</i>	14,081,183	14,526,471	5,604,159	5,362,025	19,685,342	19,888,496
<i>Net Assets at End of Year</i>	<u>\$14,774,077</u>	<u>\$14,081,183</u>	<u>\$5,953,808</u>	<u>\$5,604,159</u>	<u>\$20,727,885</u>	<u>\$19,685,342</u>

City of Nelsonville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

Governmental Activities

Program revenues accounted for 27.9 percent of total revenues for governmental activities in 2011. The amount of program revenues increased \$393,370 from 2010. This increase is due to additional grant funding from the Community Housing Improvement Program. Governmental activities services are primarily funded through general revenues, those basically comprising property taxes, income taxes, and State shared revenues. These revenue sources make up 96.5 percent of general revenues and 69.6 percent of total revenues. In total, the City's general revenues decreased \$51,386 during 2011. This reduction is due to decreases in the City's investment income due to the worsening investment climate and smaller insurance settlements.

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 decreased \$780,498, the result in the change in accounting estimate. Security of persons and property is a major activity of the City, representing 49.6 percent of the governmental expenses. During 2011, expenses for police and fire operations amounted to \$828,798 and \$423,065, respectively. Expenses decreased \$15,616 in the police department and increased \$17,811 in the fire department. These activities are, for the most part, funded by the municipal income tax. The City attempts to supplement the income and activities of the police department, by applying for additional grant funding, to enable the department to widen the scope of its activity. The police and fire department and its employees continue to work hand in hand with the City to limit costs to the taxpayer.

Transportation activities of the City accounted for more than 14.0 percent of governmental expenses.

General government, leisure time activities, community environment, and interest and fiscal charges account for the remaining 36.4 percent of governmental expenses.

Business-Type Activities

The City's water and sewer operations account for 99.9 percent of the expenses for the City's business-type activities and are funded almost entirely from charges for services. During 2011, program revenues exceeded program expenses by \$323,614 for all business-type activities.

The City's water and sewer departments continued to operate with reasonable water and sewer rates. The minimum water and sewer rates are \$9.42 and \$11.13, respectively, for the first 1,500 gallons. Water and sewer rates for two surrounding communities are \$11.44 and \$17.42 for water and \$11.40 and \$9.66 for sewer.

THE CITY'S FUNDS

The City's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$2,861,227 and expenditures of \$3,191,095.

The fund balance of the General Fund decreased \$316,872. The General Fund's unassigned fund balance of \$1,425,226 represented 74.7 percent of current year expenditures. Most of this balance remains in the City's treasury.

The fund balance of the Street Levy Special Revenue Fund increased \$79,067. The Street Levy Special Revenue Fund's spendable fund balance of \$58,999 represented 30.7 percent of current year expenditures.

The fund balance of the Grants Special Revenue Fund did not change. The Grants Special Revenue Fund's spendable fund balance of \$51,773 represented 26.8 percent of current year expenditures.

City of Nelsonville, Ohio
Management's Discussion and Analysis
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The fund balance of the Aquatic Center Special Revenue Fund decreased \$43,872. The Aquatic Center Fund's spendable fund balance of \$147,933 represented 40.3 percent of current year expenditures.

The fund balance of the Capital Improvements Capital Projects Fund increased \$19,455. The Capital Improvement Fund's spendable fund balance of \$987,495 represented 346.5 percent of current year expenditures.

The net asset balance of the Water Enterprise Fund increased \$191,974. The Water Fund's unrestricted net assets balance of \$668,790 represented 72.5 percent of current year expenses.

The net asset balance of the Sewer Enterprise Fund increased \$126,000. The Sewer Fund's unrestricted net assets balance of \$822,099 represented 96.4 percent of current year expenses.

The net asset balance of the Parking Meter Enterprise fund increased \$31,675. The Parking Meter Fund's unrestricted net assets balance of \$35,162 represented more than 1,000 percent of current year expenses.

General Fund Budgeting Highlights

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

During the course of 2011, 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, only one adjustment was made to the original budgeted revenues. For the General Fund, decreases of \$122,972 were made to the original budgeted revenues. Final budgeted expenditures decreased \$66,136 over the original amount. The City of Nelsonville's ending unencumbered cash balance in the General Fund matched the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2011, the City had \$11,534,887 in governmental activities, and \$6,345,441 in business-type activities, invested in land, construction in progress, buildings, furniture, fixtures, and equipment, vehicles, and infrastructure. Table 3 shows fiscal year 2011 balances compared to 2010.

City of Nelsonville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

(Table 3)
 Capital Assets at December 31, 2011

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$407,263	\$407,263	\$155,955	\$155,955	\$563,218	\$563,218
Construction in Progress	0	0	154,647	55,325	154,647	55,325
Land Improvements	1,252,058	1,289,477	4,698	5,051	1,256,756	1,294,528
Buildings and Improvements	2,294,271	2,307,042	0	0	2,294,271	2,307,042
Furniture, Fixtures, and						
Equipment	278,845	341,685	233,933	257,551	512,778	599,236
Vehicles	556,097	536,285	0	877	556,097	537,162
Infrastructure:						
U.S. and State Roads	3,838,360	4,167,531	0	0	3,838,360	4,167,531
City Streets	2,905,736	1,831,125	0	0	2,905,736	1,831,125
Street Signals	2,257	222,851	0	0	2,257	222,851
Water System	0	0	2,613,160	2,637,529	2,613,160	2,637,529
Sewer System	0	0	3,183,048	3,301,553	3,183,048	3,301,553
Totals	\$11,534,887	\$11,103,259	\$6,345,441	\$6,413,841	\$17,880,328	\$17,517,100

The assets of the City are reported at historical cost, net of depreciation. For additional information on capital assets, see Note 17 to the basic financial statements.

Debt

By year end, the City had various loans and capital leases payable, totaling \$2,587,708 of which \$341,834 is due within one year. The City has nine Ohio Water Development Authority Loans outstanding, five for sewer system improvements and expansion, three for water system improvements, and one for street improvements; four Ohio Public Works Commission loans outstanding, one for sewer system improvements, two for water system improvements, and one for street improvements; a bond anticipation note used for the construction of the City's aquatic center; police and fire pensions liabilities; and various leases for vehicles and office equipment.

(Table 4)
 Outstanding Debt at December 31, 2011

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
OWDA Loans	\$22,669	\$24,594	\$1,686,197	\$1,758,441	\$1,708,866	\$1,783,035
OPWC Loans	155,615	157,132	231,497	230,201	387,112	387,333
Bond Anticipation Notes	250,000	375,000	0	0	250,000	375,000
Capital Leases	172,359	218,755	0	0	172,359	218,755
Police Pension Liability	69,371	71,070	0	0	69,371	71,070
Fire Pension Liability	0	820	0	0	0	820
Totals	\$670,014	\$847,371	\$1,917,694	\$1,988,642	\$2,587,708	\$2,836,013

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, and Aquatic Center 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.

The City's overall legal debt margin was \$4,498,834 at December 31, 2011. For additional information on the City's debt, see Notes 18, 19, and 20 to the basic financial statements.

City of Nelsonville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

CURRENT ISSUES

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

CONTACTING THE CITY AUDITOR'S DEPARTMENT

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

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City of Nelsonville, Ohio
Statement of Net Assets
December 31, 2011

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$3,080,472	\$1,405,023	\$4,485,495
Accounts Receivable	4,630	347,764	352,394
Intergovernmental Receivable	557,149	453	557,602
Income Taxes Receivable	375,212	0	375,212
Prepaid Items	35,310	20,418	55,728
Property Taxes Receivable	455,610	0	455,610
Nondepreciable Capital Assets	407,263	310,602	717,865
Depreciable Capital Assets, Net	11,127,624	6,034,839	17,162,463
<i>Total Assets</i>	<u>16,043,270</u>	<u>8,119,099</u>	<u>24,162,369</u>
Liabilities			
Accounts Payable	28,777	32,615	61,392
Accrued Wages Payable	21,524	13,887	35,411
Intergovernmental Payable	112,783	30,063	142,846
Accrued Interest Payable	6,387	19,156	25,543
Deferred Revenue	370,680	0	370,680
Notes Payable	125,000	0	125,000
Customer Deposits Payable	0	95,221	95,221
Long-Term Liabilities:			
Due within One Year	111,886	263,696	375,582
Due in More than One Year	492,156	1,710,653	2,202,809
<i>Total Liabilities</i>	<u>1,269,193</u>	<u>2,165,291</u>	<u>3,434,484</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	10,934,244	4,427,757	15,362,001
Restricted for:			
Streets	338,877	0	338,877
Police	37,764	0	37,764
Parks	370,073	0	370,073
Capital Projects	1,031,452	0	1,031,452
Other Purposes	398,399	0	398,399
Unrestricted	1,663,268	1,526,051	3,189,319
<i>Total Net Assets</i>	<u>\$14,774,077</u>	<u>\$5,953,808</u>	<u>\$20,727,885</u>

See accompanying notes to the basic financial statements

City of Nelsonville, Ohio
Statement of Activities
For the Year Ended December 31, 2011

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities				
General Government	\$560,003	\$6,641	\$0	\$0
Security of Persons and Property:				
Police	828,798	50,710	5,413	0
Fire	423,065	7,668	8,200	0
Transportation	353,206	0	180,847	0
Leisure Time Activities	141,900	95,840	5,588	0
Community Environment	194,617	0	543,088	0
Interest and Fiscal Charges	23,981	0	0	0
<i>Total Governmental Activities</i>	<u>2,525,570</u>	<u>160,859</u>	<u>743,136</u>	<u>0</u>
Business-Type Activities				
Water	931,305	1,021,572	0	69,483
Sewer	897,062	1,052,321	0	1,230
Parking Meter	300	7,675	0	0
<i>Total Business-Type Activities</i>	<u>1,828,667</u>	<u>2,081,568</u>	<u>0</u>	<u>70,713</u>
Totals	<u>\$4,354,237</u>	<u>\$2,242,427</u>	<u>\$743,136</u>	<u>\$70,713</u>

General Revenues

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

Total General Revenues

Transfers

Total General Revenues and Transfers

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
(\$553,362)	\$0	(\$553,362)
(772,675)	0	(772,675)
(407,197)	0	(407,197)
(172,359)	0	(172,359)
(40,472)	0	(40,472)
348,471	0	348,471
(23,981)	0	(23,981)
(1,621,575)	0	(1,621,575)
0	159,750	159,750
0	156,489	156,489
0	7,375	7,375
0	323,614	323,614
(1,621,575)	323,614	(1,297,961)
168,967	0	168,967
243,273	0	243,273
16,452	0	16,452
1,163,402	0	1,163,402
235,646	0	235,646
249,447	0	249,447
180,348	0	180,348
21,101	0	21,101
13,473	1,735	15,208
46,660	0	46,660
2,338,769	1,735	2,340,504
(24,300)	24,300	0
2,314,469	26,035	2,340,504
692,894	349,649	1,042,543
14,081,183	5,604,159	19,685,342
<u>\$14,774,077</u>	<u>\$5,953,808</u>	<u>\$20,727,885</u>

City of Nelsonville, Ohio

Balance Sheet

Governmental Funds

December 31, 2011

	<u>General</u>	<u>Street Levy</u>	<u>Grants</u>	<u>Aquatic Center</u>	<u>Capital Improvements</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$1,459,143	\$66,339	\$51,773	\$258,921	\$967,189
Restricted Assets: Cash and Cash Equivalents	19,949	0	0	0	0
Receivables:					
Property Taxes	180,283	257,549	0	0	0
Income Taxes	257,396	0	0	53,655	64,161
Accounts	4,480	0	0	0	0
Intergovernmental	86,574	14,083	365,078	0	0
Prepaid Items	27,617	1,276	0	1,255	224
<i>Total Assets</i>	<u>\$2,035,442</u>	<u>\$339,247</u>	<u>\$416,851</u>	<u>\$313,831</u>	<u>\$1,031,574</u>
 Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$25,300	\$1,317	\$0	\$944	\$122
Accrued Wages Payable	18,224	3,203	0	97	0
Intergovernmental Payable	67,192	2,820	36,020	2,030	0
Deferred Revenue	420,688	271,632	329,058	36,572	43,733
Notes Payable	0	0	0	125,000	0
<i>Total Liabilities</i>	<u>531,404</u>	<u>278,972</u>	<u>365,078</u>	<u>164,643</u>	<u>43,855</u>
 Fund Balances					
Nonspendable	47,566	1,276	0	1,255	224
Restricted	0	58,999	51,773	147,933	987,495
Committed	13,189	0	0	0	0
Assigned	18,057	0	0	0	0
Unassigned	1,425,226	0	0	0	0
<i>Total Fund Balances</i>	<u>1,504,038</u>	<u>60,275</u>	<u>51,773</u>	<u>149,188</u>	<u>987,719</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,035,442</u>	<u>\$339,247</u>	<u>\$416,851</u>	<u>\$313,831</u>	<u>\$1,031,574</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, 2011*

Other Governmental Funds	Total Governmental Funds			
		Total Governmental Fund Balances		\$3,033,923
		<i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
\$257,158	\$3,060,523	Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.		11,534,887
0	19,949			
17,778	455,610	Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:		
0	375,212	Property Taxes	84,930	
150	4,630	Income Taxes	255,750	
91,414	557,149	Intergovernmental Revenues	<u>475,016</u>	815,696
4,938	35,310			
<u>\$371,438</u>	<u>\$4,508,383</u>			
		Long-term liabilities, accrued interest, and vacation benefits that are not due and payable in the current period and therefore are not reported in the funds:		
\$1,094	\$28,777	Police Pension Payable	(69,371)	
0	21,524	Notes Payable	(125,000)	
4,721	112,783	Loans Payable	(178,284)	
84,693	1,186,376	Capital Leases Payable	(172,359)	
0	125,000	Accrued Interest Payable	(6,387)	
		Compensated Absences	<u>(59,028)</u>	<u>(610,429)</u>
<u>90,508</u>	<u>1,474,460</u>			
		Net Assets of Governmental Activities		<u>\$14,774,077</u>
4,938	55,259			
275,992	1,522,192			
0	13,189			
0	18,057			
<u>0</u>	<u>1,425,226</u>			
280,930	3,033,923			
<u>\$371,438</u>	<u>\$4,508,383</u>			

City of Nelsonville, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2011

	General	Street Levy	Grants	Aquatic Center	Capital Improvements
Revenues					
Property Taxes	\$171,753	\$243,790	\$0	\$0	\$0
Income Taxes	1,104,138	0	0	226,725	255,517
Intergovernmental	201,398	27,344	193,342	0	0
Charges for Services	10,039	0	0	95,840	0
Fines, Licenses, and Permits	46,364	0	0	0	0
Interest	21,101	0	0	0	0
Gifts and Donations	0	0	0	0	0
Other	12,802	200	0	470	0
Total Revenues	1,567,595	271,334	193,342	323,035	255,517
Expenditures					
Current:					
General Government	561,076	0	0	0	0
Security of Persons and Property:					
Police	827,958	0	0	0	0
Fire	435,349	0	0	0	0
Transportation	80,942	192,267	0	0	0
Leisure Time Activities	0	0	0	227,783	0
Community Environment	1,502	0	193,342	0	0
Capital Outlay	0	0	0	0	178,766
Debt Service:					
Principal Retirement	0	0	0	0	95,343
Interest and Fiscal Charges	0	0	0	14,124	10,900
Current Refunding	0	0	0	125,000	0
Total Expenditures	1,906,827	192,267	193,342	366,907	285,009
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(339,232)</u>	<u>79,067</u>	<u>0</u>	<u>(43,872)</u>	<u>(29,492)</u>
Other Financing Sources (Uses)					
Inception of Capital Lease	0	0	0	0	48,947
Insurance Recoveries	46,660	0	0	0	0
Issuance of Bond Anticipation Notes	0	0	0	125,000	0
Current Refunding	0	0	0	(125,000)	0
Transfers Out	(24,300)	0	0	0	0
Total Other Financing Sources (Uses)	22,360	0	0	0	48,947
Net Change in Fund Balance	(316,872)	79,067	0	(43,872)	19,455
<i>Fund Balances (Deficit) at Beginning of Year</i>	<u>1,820,910</u>	<u>(18,792)</u>	<u>51,773</u>	<u>193,060</u>	<u>968,264</u>
Fund Balances at End of Year	<u>\$1,504,038</u>	<u>\$60,275</u>	<u>\$51,773</u>	<u>\$149,188</u>	<u>\$987,719</u>

See accompanying notes to the basic financial statements

City of Nelsonville, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2011*

Other Governmental Funds	Total Governmental Funds		
		Net Change in Fund Balances - Total Governmental Funds	(\$258,561)
		Amounts reported for governmental activities in the statement of activities are different because	
\$16,568	\$432,111	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:	
0	1,586,380	Capital Assets Additions	390,236
194,776	616,860	Depreciation Expense	<u>(670,992)</u>
0	105,879		(280,756)
8,616	54,980	Governmental funds do not reflect changes in accounting estimates.	712,383
1,238	22,339		
28,945	28,945	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
261	13,733	Property Taxes	(3,418)
		Income Taxes	62,115
250,404	2,861,227	Intergovernmental Revenues	276,441
		Other Revenues	<u>(260)</u>
0	561,076		334,878
6,291	834,249	Repayments of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:	
0	435,349	Bond Anticipation Notes Payable	250,000
146,517	419,726	OWDA Loans Payable	1,925
13,602	241,385	OPWC Loans Payable	1517
18,177	213,021	Capital Leases Payable	95,343
57,918	236,684	Police Pension Payable	1,699
3,442	98,785	Fire Pension Payable	<u>820</u>
796	25,820		351,304
0	125,000	In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, interest is expended when due.	1,839
246,743	3,191,095	Other financing sources in the governmental funds that increase long-term liabilities in the statement of net assets are not reported:	
3,661	(329,868)	Inception of Capital Leases	(48,947)
		Proceeds of Bond Anticipation Notes	<u>(125,000)</u>
0	48,947		(173,947)
0	46,660	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.	5,754
0	125,000		
0	(125,000)	<i>Change in Net Assets of Governmental Activities</i>	<u>\$692,894</u>
0	(24,300)		
0	71,307		
3,661	(258,561)		
277,269	3,292,484		
<u>\$280,930</u>	<u>\$3,033,923</u>		

City of Nelsonville, Ohio
*Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
General Fund
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$185,029	\$171,753	\$171,753	\$0
Income Taxes	1,224,462	1,136,605	1,136,605	0
Intergovernmental	207,075	192,217	192,217	0
Charges for Services	10,799	10,024	10,024	0
Fines, Licenses, and Permits	49,961	46,376	46,376	0
Interest	22,732	21,101	21,101	0
Other	13,792	12,802	12,802	0
<i>Total Revenues</i>	<u>1,713,850</u>	<u>1,590,878</u>	<u>1,590,878</u>	<u>0</u>
Expenditures				
Current:				
General Government	569,438	550,233	550,233	0
Security of Persons and Property:				
Police	881,674	851,939	851,939	0
Fire	425,419	411,071	411,071	0
Transportation	83,766	80,941	80,941	0
Community Environment	675	652	652	0
<i>Total Expenditures</i>	<u>1,960,972</u>	<u>1,894,836</u>	<u>1,894,836</u>	<u>0</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(247,122)</u>	<u>(303,958)</u>	<u>(303,958)</u>	<u>0</u>
Other Financing Sources (Uses)				
Insurance Recoveries	0	46,660	46,660	0
Transfers Out	(25,148)	(24,300)	(24,300)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(25,148)</u>	<u>22,360</u>	<u>22,360</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(272,270)</u>	<u>(281,598)</u>	<u>(281,598)</u>	<u>0</u>
<i>Fund Balance at Beginning of Year</i>	<u>1,759,943</u>	<u>1,759,943</u>	<u>1,759,943</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$1,487,673</u>	<u>\$1,478,345</u>	<u>\$1,478,345</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

City of Nelsonville, Ohio
*Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
Street Levy Fund
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$246,129	\$243,790	\$243,790	\$0
Intergovernmental	1,371	27,344	27,344	0
Other	0	200	200	0
<i>Total Revenues</i>	247,500	271,334	271,334	0
Expenditures				
Current:				
Transportation	247,400	206,241	206,241	0
<i>Excess of Revenues Over Expenditures</i>	100	65,093	65,093	0
<i>Fund Balance at Beginning of Year</i>	1,246	1,246	1,246	0
<i>Fund Balance at End of Year</i>	\$1,346	\$66,339	\$66,339	\$0

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$260,000	\$157,322	\$157,322	\$0
Expenditures				
Current:				
Community and Economic Development	260,000	157,322	157,322	0
<i>Excess of Revenues Over Expenditures</i>	0	0	0	0
<i>Fund Balance at Beginning of Year</i>	51,773	51,773	51,773	0
<i>Fund Balance at End of Year</i>	<u>\$51,773</u>	<u>\$51,773</u>	<u>\$51,773</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

City of Nelsonville, Ohio
*Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Aquatic Center Fund
For the Year Ended December 31, 2011*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Income Taxes	\$230,201	\$236,873	\$236,873	\$0
Charges for Services	93,141	95,840	95,840	0
Other	1,658	1,706	1,706	0
<i>Total Revenues</i>	<u>325,000</u>	<u>334,419</u>	<u>334,419</u>	<u>0</u>
Expenditures				
Current:				
Leisure Time Activities	185,188	228,826	228,826	0
Debt Service:				
Principal Retirements	375,000	375,000	375,000	0
Interest and Fiscal Charges	14,124	14,124	14,124	0
<i>Total Expenditures</i>	<u>574,312</u>	<u>617,950</u>	<u>617,950</u>	<u>0</u>
<i>Excess of Revenues Under Expenditures</i>	(249,312)	(283,531)	(283,531)	0
Other Financing Sources				
Bond Anticipation Notes Issued	250,000	250,000	250,000	0
<i>Net Change in Fund Balance</i>	688	(33,531)	(33,531)	0
<i>Fund Balance at Beginning of Year</i>	<u>292,452</u>	<u>292,452</u>	<u>292,452</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$293,140</u>	<u>\$258,921</u>	<u>\$258,921</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

City of Nelsonville, Ohio
Statement of Fund Net Assets
Enterprise Funds
December 31, 2011

	Water	Sewer	Parking Meter	Total Enterprise Funds
Assets				
Current :				
Equity in Pooled Cash and Cash Equivalents	\$556,539	\$718,591	\$34,672	\$1,309,802
Restricted Assets:				
Customer Deposits	57,133	38,088	0	95,221
Accounts Receivable	172,502	174,772	490	347,764
Intergovernmental Receivable	224	229	0	453
Prepaid Items	12,861	7,557	0	20,418
<i>Total Current Assets</i>	<u>799,259</u>	<u>939,237</u>	<u>35,162</u>	<u>1,773,658</u>
Noncurrent:				
Nondepreciable Capital Assets	191,144	119,458	0	310,602
Depreciable Capital Assets, Net	2,727,774	3,306,743	322	6,034,839
<i>Total Noncurrent Assets</i>	<u>2,918,918</u>	<u>3,426,201</u>	<u>322</u>	<u>6,345,441</u>
<i>Total Assets</i>	<u>3,718,177</u>	<u>4,365,438</u>	<u>35,484</u>	<u>8,119,099</u>
Liabilities				
Current:				
Accounts Payable	11,640	20,975	0	32,615
Accrued Wages Payable	7,888	5,999	0	13,887
Accrued Interest Payable	1,649	17,507	0	19,156
Intergovernmental Payable	16,567	13,496	0	30,063
OWDA Loans Payable	34,867	192,736	0	227,603
OPWC Loans Payable	9,584	9,403	0	18,987
Compensated Absences Payable	10,326	6,780	0	17,106
Customer Deposits Payable	57,133	38,088	0	95,221
<i>Total Current Liabilities</i>	<u>149,654</u>	<u>304,984</u>	<u>0</u>	<u>454,638</u>
Long-Term:				
OWDA Loans Payable	406,828	1,051,766	0	1,458,594
OPWC Loans Payable	115,057	97,453	0	212,510
Compensated Absences Payable	25,266	14,283	0	39,549
<i>Total Long-Term Liabilities</i>	<u>547,151</u>	<u>1,163,502</u>	<u>0</u>	<u>1,710,653</u>
<i>Total Liabilities</i>	<u>696,805</u>	<u>1,468,486</u>	<u>0</u>	<u>2,165,291</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	2,352,582	2,074,853	322	4,427,757
Unrestricted	668,790	822,099	35,162	1,526,051
<i>Total Net Assets</i>	<u>\$3,021,372</u>	<u>\$2,896,952</u>	<u>\$35,484</u>	<u>\$5,953,808</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, 2011*

	Water	Sewer	Parking Meter	Total Enterprise Funds
Operating Revenues				
Charges for Services	\$1,052,321	\$1,021,572	\$7,675	\$2,081,568
Other Operating Revenues	1,475	260	0	1,735
<i>Total Operating Revenues</i>	<u>1,053,796</u>	<u>1,021,832</u>	<u>7,675</u>	<u>2,083,303</u>
Operating Expenses				
Salaries and Wages	351,091	298,676	0	649,767
Fringe Benefits	153,354	106,074	0	259,428
Contractual Services	174,029	159,217	0	333,246
Materials and Supplies	110,939	67,152	144	178,235
Depreciation	128,779	222,098	156	351,033
Other	4,909	0	0	4,909
<i>Total Operating Expenses</i>	<u>923,101</u>	<u>853,217</u>	<u>300</u>	<u>1,776,618</u>
<i>Operating Income</i>	130,695	168,615	7,375	306,685
Non-Operating Expenses				
Interest and Fiscal Charges	(8,204)	(43,845)	0	(52,049)
<i>Income before Contributions and Transfers</i>	122,491	124,770	7,375	254,636
Capital Contributions	69,483	1,230	0	70,713
Transfers In	0	0	24,300	24,300
<i>Change in Net Assets</i>	191,974	126,000	31,675	349,649
<i>Net Assets at Beginning of Year</i>	<u>2,829,398</u>	<u>2,770,952</u>	<u>3,809</u>	<u>5,604,159</u>
<i>Net Assets at End of Year</i>	<u><u>\$3,021,372</u></u>	<u><u>\$2,896,952</u></u>	<u><u>\$35,484</u></u>	<u><u>\$5,953,808</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, 2011

	Water	Sewer	Parking Meter	Total Enterprise Funds
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities:				
Cash Received from Customers	\$1,046,186	\$1,017,627	\$7,185	\$2,070,998
Cash Payments for Employee Services and Benefits	(512,650)	(401,103)	0	(913,753)
Cash Payments to Suppliers for Goods and Services	(286,901)	(230,786)	(144)	(517,831)
Other Operating Revenues	1,475	260	0	1,735
Customer Deposits Received	10,254	6,836	0	17,090
Other Operating Expenses	(4,999)	0	0	(4,999)
Customer Deposits Returned	(8,230)	(5,488)	0	(13,718)
<i>Net Cash Provided by Operating Activities</i>	<u>245,135</u>	<u>387,346</u>	<u>7,041</u>	<u>639,522</u>
Cash Flows from Non-Capital Financing Activities:				
Transfers In	0	0	24,300	24,300
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	(204,550)	(91,430)	0	(295,980)
Disposition of Capital Assets	0	13,225	0	13,225
Proceeds from OWDA Loans	140,914	0	0	140,914
Proceeds from OPWC Loans	20,000	0	0	20,000
Principal Paid on OWDA Loans	(29,379)	(183,779)	0	(213,158)
Interest Paid on OWDA Loans	(8,345)	(48,197)	0	(56,542)
Principal Paid on OPWC Loans	(9,251)	(9,453)	0	(18,704)
Capital Contributions	76,858	8,766	0	85,624
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(13,753)</u>	<u>(310,868)</u>	<u>0</u>	<u>(324,621)</u>
<i>Net Increase in Cash and Cash Equivalents</i>	231,382	76,478	31,341	339,201
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>382,290</u>	<u>680,201</u>	<u>3,331</u>	<u>1,065,822</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$613,672</u></u>	<u><u>\$756,679</u></u>	<u><u>\$34,672</u></u>	<u><u>\$1,405,023</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
<i>Operating Income</i>	\$130,695	\$168,615	\$7,375	\$306,685
<i>Adjustments:</i>				
Depreciation	128,779	222,098	156	351,033
<i>Increase in Assets:</i>				
Accounts Receivable	(6,165)	(3,965)	(490)	(10,620)
Prepays Items	(487)	(1,198)	0	(1,685)
<i>Increase (Decrease) in Liabilities:</i>				
Accounts Payable	(1,334)	(594)	0	(1,928)
Accrued Wages Payable	2,327	186	0	2,513
Compensated Absences Payable	(9,529)	4,204	0	(5,325)
Customer Deposits	1,964	1,308	0	3,272
Intergovernmental Payable	(1,115)	(3,308)	0	(4,423)
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$245,135</u></u>	<u><u>\$387,346</u></u>	<u><u>\$7,041</u></u>	<u><u>\$639,522</u></u>

See accompanying notes to the basic financial statements

City of Nelsonville, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Fund
December 31, 2011

Assets

Cash and Cash Equivalents in Segregated Accounts	<u>\$4,065</u>
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Liabilities

Intergovernmental Payable	\$1,091
Undistributed Monies	<u>2,974</u>

<i>Total Liabilities</i>	<u>\$4,065</u>
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See accompanying notes to the basic financial statements

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City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 1 - Description of City and Reporting Entity

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

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

Reporting Entity

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

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

The City participates in the Athens County Regional Planning Commission and the Athens County Economic Development Council, which are defined as jointly governed organizations, and the Ohio Municipal League Workers' Compensation Group Rating Program, which is defined as an insurance purchasing pool. These organizations are presented in Notes 9 and 10 to the Basic Financial Statements.

Note 2 - Summary of Significant Accounting Policies

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

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

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

Street Levy Fund The Street Levy Fund is used to account for property tax monies received for various street projects, infrastructure improvements, and maintenance of the streets within the City.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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

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

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

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

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net 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 the governmental funds.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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

D. Basis of Accounting

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

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

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

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

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, 2011, but which were levied to finance year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements were met have also been recorded as deferred revenue.

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

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

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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

E. Budgetary Process

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

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

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

F. Cash and Cash Equivalents

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

During 2011, investments were limited to nonnegotiable certificates of deposits and a money market account, both of which are reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest is credited to the General Fund and the Street Construction and Maintenance, State Highway, and Permissive Tax Special Revenue Funds. Interest revenue credited to the General Fund during 2011 amounted to \$21,101, which includes \$14,133 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, 2011, 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, 2011

H. Restricted Assets

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

I. Capital Assets

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

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

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, 2011

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

K. Contributions of Capital

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

L. Fund Balance

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

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

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

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

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

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

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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

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

M. Interfund Activity

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

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

N. Accrued Liabilities and Long-Term Liabilities

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

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.

P. Net Assets

Net assets represent the difference between 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 borrowings 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 constitutional provisions or 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.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Q. Operating Revenues and Expenses

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

R. Extraordinary and Special Items

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

Note 3 - Changes in Accounting Principles and Changes in Accounting Estimates

A. Changes in Accounting Principles

For 2011, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement did not result in any change to the City's financial statements.

B. Changes in Accounting Estimates

For 2011, the City has increased its capitalization threshold for capital assets from five hundred dollars to one thousand five hundred dollars and changed the estimated useful lives of infrastructure assets. There was no effect on prior year financial statements due to this change having a prospective effect as of December 31, 2010.

Note 4 - Fund Balances

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

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Fund Balances	General Fund	Street Levy	Grants	Aquatic Center	Capital Improvements	Governmental Funds	Total
Nonspendable:							
Prepays	\$27,617	\$1,276	\$0	\$1,255	\$224	\$4,938	\$35,310
Unclaimed Monies	19,949	0	0	0	0	0	19,949
<i>Total Nonspendable</i>	<u>47,566</u>	<u>1,276</u>	<u>0</u>	<u>1,255</u>	<u>224</u>	<u>4,938</u>	<u>55,259</u>
Restricted for:							
Street Improvements	0	58,999	0	0	0	182,253	\$241,252
Community Environment	0	0	51,773	0	0	0	51,773
Law Enforcement	0	0	0	0	0	527	527
Drug and Alcohol Enforcement	0	0	0	0	0	37,237	37,237
Recreation	0	0	0	147,933	0	38,407	186,340
Other Purposes	0	0	0	0	0	17,568	17,568
Capital Improvements	0	0	0	0	987,495	0	987,495
<i>Total Restricted</i>	<u>0</u>	<u>58,999</u>	<u>51,773</u>	<u>147,933</u>	<u>987,495</u>	<u>275,992</u>	<u>1,522,192</u>
Committed to:							
Community Environment	13,189	0	0	0	0	0	13,189
Assigned to:							
Other Purposes	18,057	0	0	0	0	0	18,057
Unassigned:	1,425,226	0	0	0	0	0	1,425,226
<i>Total Fund Balances</i>	<u>\$1,504,038</u>	<u>\$60,275</u>	<u>\$51,773</u>	<u>\$149,188</u>	<u>\$987,719</u>	<u>\$280,930</u>	<u>\$3,033,923</u>

Note 5 - Budgetary Basis of Accounting

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

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

City of Nelsonville, Ohio
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For the Year Ended December 31, 2011

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

	Net Change in Fund Balance			
	General	Street Levy	Grants	Aquatic Center
GAAP Basis	(\$316,872)	\$79,067	\$0	(\$43,872)
Revenue Accruals	23,309	0	(36,020)	11,384
Expenditure Accruals	13,828	(13,475)	36,020	(1,882)
Beginning of Year Prepaid Items	25,781	777	0	2,094
Beginning of Year Unreported Cash	721	0	0	0
End of Year Prepaid Items	(27,617)	(1,276)	0	(1,255)
End of Year Unreported Cash	(747)	0	0	0
Budget Basis	<u>(\$281,597)</u>	<u>\$65,093</u>	<u>\$0</u>	<u>(\$33,531)</u>

Note 6 - Deposits and Investments

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

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

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

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

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

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

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

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio); and,
8. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time.

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

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

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

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

Cash on Hand At year end, the City \$12,521 in undeposited cash on hand which is included as a part of "Equity in Pooled Cash and Cash Equivalents".

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 \$4,477,039 and the bank balance was \$4,632,709. Of the bank balance, \$750,000 was covered by Federal depository insurance and \$3,882,709 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 7 - Receivables

Receivables at December 31, 2011, consisted primarily of municipal income taxes, property taxes, accounts (billings for user fees including unbilled utility services), and intergovernmental receivables arising from entitlements and shared revenues.

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

A. Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2011 for real and public utility property taxes represents collections of 2010 taxes.

2011 real property taxes were levied after October 1, 2011, on the assessed value as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes which became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2011, was \$9.00 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2011 property tax receipts were based are as follows:

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

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

Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2011, and for which there was an enforceable legal claim. In the governmental funds, the entire receivable has been deferred since current taxes were not levied to finance 2011 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the accrual basis, collectible delinquent property taxes have been recorded as revenue while on the modified accrual basis the revenue has been deferred.

B. Income Taxes

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

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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

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

C. Intergovernmental Receivable

A summary of intergovernmental receivables follows:

Governmental Activities:	
Community Housing Improvement Program	\$365,078
Local Government	61,798
Gasoline Tax	54,263
Homestead and Rollback	23,357
Ohio Department of Natural Resources	23,100
Estate Tax	14,085
Motor Vehicle License Tax	12,664
Miscellaneous	1,921
State Electric Light	819
Ohio Public Works Commission	37
Kilowatt Per Hour	27
Total Governmental Activities	557,149
Business-Type Activities:	
Ohio Public Works Commission	453
Total Intergovernmental Receivables	\$557,602

Note 8 - 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 \$493.10 for single coverage and \$1,522.21 for family coverage. The City pays 89 percent of the total monthly premium for the family coverage. Vision insurance is provided through the Vision Service Plan, Inc. The premiums are \$12.91 for single coverage and \$35.55 for family coverage. Dental insurance is provided through the Guardian Insurance Plans. The premiums are \$32.10 for single coverage and \$119.42 for family coverage. The City pays 100 percent of the premiums for all insurances for single plan employees and 100 percent of the premiums for vision, dental, and life for all employees.

B. Compensated Absences

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

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 9 - Jointly Governed Organizations

A. Athens County Regional Planning Commission

The Athens County Regional Planning Commission was formed to influence favorably the future economic, physical, and social development of Athens County. Membership is composed of the three Athens County Commissioners, one representative from each of the participating municipalities, including the City of Nelsonville, and one representative for every five thousand County residents appointed by the County Commissioners. The Commission is not dependent upon the City of Nelsonville for its continued existence. In 2011, the City made \$5,750 in contributions to the Commission.

B. Athens County Economic Development Council

The Athens County Economic Development Council was formed to promote economic development in Athens County through the initiation, promotion, and the development of support programs that assists individuals and business in establishing, retaining, expanding, and locating in Athens County. Membership is composed of representatives from the City of Nelsonville, the City of Athens, the Athens County Commission, Ohio University, Hocking College, the Athens County Port Authority, and the Athens County Community Improvement Corporation. The Council is not dependent on the City of Nelsonville for its continued existence. In 2011, the City made \$30,000 in contributions to the Council.

Note 10 - Insurance Purchasing Pool

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

Note 11 - Transfers

The General Fund made a transfer to the Parking Meter Fund in the amount of \$24,300. Transfers were used to move revenues from the fund that Statute or budget requires to collect them to the fund that Statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 12 - Contractual Commitments

As of December 31, 2011, the City had the following contractual commitments:

Project	Fund	Contract Amount	Amount Expended	Balance at 12/31/2011
Water Treatment Plant	Water	\$179,905	\$154,647	\$25,258

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 13 - Risk Management

A. Property and Liability

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

Property and Liability	Deductible	Limits of Coverage
Real Property	\$1,000	\$14,689,915
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	660,356
Wrongfull Acts Liability:		
Each Occurrence	10,000	1,000,000
Aggregate Limit	10,000	1,000,000
Vehicles:		
Comprehensive	1,000	1,000,000
Collision	1,000	1,000,000
Employee Dishonesty	0	25,000
Law Enforcement:		
Each Occurrence	10,000	1,000,000
Aggregate Limit	10,000	1,000,000
Umbrella Coverage:		
Each Occurrence	10,000	4,000,000
Aggregate Limit	10,000	4,000,000

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

B. Workers' Compensation

For 2011, the City participated in the Ohio Municipal League Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool (see Note 10). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating entities is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. The savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Each year the City pays an enrollment fee to the Plan to cover the costs of administering the program.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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

Note 14 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law enforcement and public safety employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in State and local divisions and 12 percent for law enforcement and public safety members. For the year ended December 31, 2011, members in state and local divisions contributed 10 percent of covered payroll while public safety and law enforcement members contributed 11.0 percent and 11.6 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2011, member and employer contribution rates were consistent across all three plans.

The City's 2011 contribution rate was 14.0 percent., except for those plan members in law enforcement or public safety, for whom the City's contribution was 18.10 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4.00 percent for 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2011. Employer contribution rates are actuarially determined.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$116,836, \$106,427, and \$99,141, respectively. For 2011, 86.47 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009. There were no member-directed plan contributions for 2011 for the City of Nelsonville.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

B. Ohio Police and Fire Pension Fund

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

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

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The City's contributions to OP&F for police and firefighters pension were \$49,059 and \$29,837 for the year ended December 31, 2011, \$44,397 and \$21,717 for the year ended December 31, 2010, and \$42,014 and \$21,153 for the year ended December 31, 2009, respectively. For 2011, 68.94 percent for police and 70.79 percent for firefighters has been contributed with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2010 and 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 firefighters in 1967. As of December 31, 2011, the unfunded police liability of the City was \$69,371, payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary. During 2011, the City paid off the outstanding balance of \$820 for the firefighter's pension liability.

Note 15 - Postemployment Benefits

A. Ohio Public Employees Retirement System

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

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement. In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

City of Nelsonville, Ohio
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For the Year Ended December 31, 2011

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.10 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent for 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2011.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$46,735, \$54,100, and \$60,439, respectively. For 2011, 86.47 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

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. Rates for law enforcement and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases 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 health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

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

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

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

City of Nelsonville, Ohio
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For the Year Ended December 31, 2011

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$25,973 and \$11,676 for the year ended December 31, 2011, \$23,504 and \$8,498 for the year ended December 31, 2010, and \$22,243 and \$8,277 for the year ended December 31, 2009. For 2011, 68.94 percent has been contributed for police and 70.79 percent has been contributed for firefighters with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2010 and 2009

Note 16 - Contingent Liabilities

A. Grants

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2011.

B. Litigation

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

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 17 - Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

	Balance at 12/31/10	Additions	Deletions	Changes in Accounting Estimates	Balance at 12/31/11
Governmental Activities:					
Capital Assets not being Depreciated:					
Land	\$407,263	\$0	\$0	\$0	\$407,263
Depreciable Capital Assets:					
Land Improvements	1,434,354	22,103	0	(5,009)	1,451,448
Buildings and Improvements	3,137,706	88,868	0	(5,450)	3,221,124
Furniture, Fixtures, and Equipment	1,015,594	16,815	0	(161,673)	870,736
Vehicles	1,401,748	153,674	0	(5,858)	1,549,564
U.S and State Roads	7,203,622	0	0	0	7,203,622
City Streets	6,090,109	108,776	0	(1)	6,198,884
Street Signals	685,913	0	0	0	685,913
Total Depreciable Capital Assets	20,969,046	390,236	0	(177,991)	21,181,291
Less Accumulated Depreciation:					
Land Improvements	(144,877)	(52,339)	0	(2,174)	(199,390)
Buildings and Improvements	(830,664)	(78,992)	0	(17,197)	(926,853)
Furniture, Fixtures, and Equipment	(673,909)	(40,385)	0	122,403	(591,891)
Vehicles	(865,463)	(102,466)	0	(25,538)	(993,467)
U.S. and State Roads	(3,036,091)	(240,121)	0	(89,050)	(3,365,262)
City Streets	(4,258,984)	(155,845)	0	1,121,681	(3,293,148)
Street Signals	(463,062)	(844)	0	(219,750)	(683,656)
Total Accumulated Depreciation	(10,273,050)	(670,992) *	0	890,375	(10,053,667)
Total Capital Assets being Depreciated, Net	10,695,996	(280,756)	0	712,384	11,127,624
Governmental Activities Capital Assets, Net	\$11,103,259	(\$280,756)	\$0	\$712,384	\$11,534,887

*Depreciation expense was charged to governmental programs as follows:

General Government	\$25,727
Security of Persons and Property:	
Police	36,999
Fire	65,076
Transportation	431,065
Leisure Time Activities	105,600
Community Environment	6,525
Total Depreciation Expense	\$670,992

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

	Balance at 12/31/10	Additions	Deductions	Changes in Accounting Estimates	Balance at 12/31/11
Business-Type Activities:					
Capital Assets not being Depreciated:					
Land	\$155,955	\$0	\$0	\$0	\$155,955
Construction in Progress	55,325	112,547	(13,225)	0	154,647
Total Capital Assets not being Depreciated	211,280	112,547	(13,225)	0	310,602
Depreciable Capital Assets:					
Land Improvements	24,752	0	0	0	24,752
Furniture, Fixtures, and Equipment	953,618	40,280	0	(109,154)	884,744
Vehicles	105,928	0	0	(1)	105,927
Infrastructure	11,145,943	91,192	0	(12,619)	11,224,516
Total Capital Assets being Depreciated	12,230,241	131,472	0	(121,774)	12,239,939
Less Accumulated Depreciation:					
Land Improvements	(19,701)	(353)	0	0	(20,054)
Furniture, Fixtures, and Equipment	(696,067)	(44,407)	0	89,663	(650,811)
Vehicles	(105,051)	(876)	0	0	(105,927)
Infrastructure	(5,206,861)	(305,397)	0	83,950	(5,428,308)
Total Accumulated Depreciation	(6,027,680)	(351,033)	0	173,613	(6,205,100)
Total Capital Assets being Depreciated, Net	6,202,561	(219,561)	0	51,839	6,034,839
Business-Type Activities Capital Assets, Net	\$6,413,841	(\$107,014)	(\$13,225)	\$51,839	\$6,345,441

Note 18 - Capital Leases - Lessee Disclosure

During 2011, the City entered into one new lease for the purchase of a dump truck. In prior years, the City had entered into several capital leases for the purchase of vehicles, heavy equipment, and office equipment.

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

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Machinery and Equipment	\$23,912	\$42,586
Vehicles	1,032,089	0
Less: Accumulated Depreciation	(628,009)	(19,842)
Total	\$427,992	\$22,744

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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, 2011:

Year Ending December 31,	Governmental Activities
2012	\$97,453
2013	35,673
2014	18,702
2015	18,702
2016	18,702
Total Minimum Lease Payments	189,232
Less: Amount Representing Interest	(16,873)
Present Value of Net Minimum Lease Payments	\$172,359

Note 19 - Notes Payable

A summary of the note transactions for the year ended December 31, 2011, follows:

	Principal Outstanding 12/31/10	Additions	Deductions	Principal Outstanding 12/31/11
2010 Aquatic Center Bond Anticipation Notes - 2.62%	\$125,000	\$0	\$125,000	\$0
2011 Aquatic Center Bond Anticipation Notes - 3.00%	0	125,000	0	125,000
Total Governmental Activities	\$125,000	\$125,000	\$125,000	\$125,000

The Aquatic Center bond anticipation note is backed by the full faith and credit of the City of Nelsonville. The Aquatic Center note was issued on February 24, 2011, and matures on February 23, 2012. On February 23, 2012, the City retired this note through aquatic center revenues. The bond anticipation notes were issued for the purpose of acquiring and construction the City's aquatic center.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 20 - Long - Term Obligations

A schedule of changes in long-term obligations of the City during 2011 follows:

	Principal Outstanding 12/31/10	Additions	Deductions	Principal Outstanding 12/31/11	Amounts Due in One Year
Governmental Activities:					
2010 Aquatic Center Bond					
Anticipation Note - 2.62%	\$250,000	\$0	\$250,000	\$0	\$0
2011 Aquatic Center Bond					
Anticipation Note - 3.00%	0	125,000	0	125,000	0
2007 OWDA Adams Street					
Improvements Loan - 2.00%	24,594	0	1,925	22,669	1,964
2008 OPWC Adams Street					
Improvements Loan - 0%	157,132	0	1,517	155,615	1,517
Capital Leases	218,755	48,947	95,343	172,359	89,941
Police and Fire Pension Liability	71,890	0	2,519	69,371	1,772
Compensated Absences	64,782	0	5,754	59,028	16,692
Total Governmental Activities	\$787,153	\$173,947	\$357,058	\$604,042	\$111,886
Business-Type Activities:					
OWDA Loans:					
1989 Sewer Improvements Loan - 8.26%	\$266,020	\$0	\$81,736	\$184,284	\$88,488
1998 Sylvania Avenue Sewer Loan - 2.20%	239,225	0	29,675	209,550	30,331
2002 Sewer Digester Loan - 2.20%	571,709	0	46,476	525,233	47,504
2002 State Route 33 Sewer Improvements Loan - 2.00%	195,194	0	13,891	181,303	14,171
2007 Adams Street Sewer Improvements Loan - 2.00%	156,133	0	12,001	144,132	12,242
2002 Water Improvements Loan - 2.00%	177,513	0	12,634	164,879	12,887
2007 Adams Street Water Improvements Loan - 2.00%	151,949	0	11,745	140,204	11,980
2010 Water Treatment Plant Loan - 4.35%	698	140,914	5,000	136,612	10,000
Total OWDA Loans	1,758,441	140,914	213,158	1,686,197	227,603
OPWC Loans:					
2008 Adams Street Sewer Improvements Loan - 0%	116,309	0	9,453	106,856	9,403
2008 Adams Street Water Improvements Loan - 0%	113,892	0	9,251	104,641	9,251
2011 Water Booster Station Improvement Loan - 0%	0	20,000	0	20,000	333
Total OPWC Loans	230,201	20,000	18,704	231,497	18,987
Compensated Absences	61,980	0	5,325	56,655	17,106
Total Business-Type Activities	\$2,050,622	\$160,914	\$237,187	\$1,974,349	\$263,696

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

The Aquatic Center bond anticipation note was issued on February 24, 2011, for \$250,000 and matures on February 23, 2012. The 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 23, 2012, \$125,000 of the note was rolled into a new note that matures on February 22, 2013; \$125,000 was repaid. Therefore, \$125,000 of the note issue was shown in the short-term notes payable schedule in Note 19.

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 been fully drawn down, but no amortization schedule has been established.

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

Principal requirements to retire the OPWC Adams Street Improvement Loan liability at December 31, 2011, are as follows:

Year Ended December 31,	Principal
2012	\$1,517
2013	8,806
2014	8,805
2015	8,806
2016	8,805
2017-2021	44,028
2022-2026	44,028
2027-2030	30,820
	<u>\$155,615</u>

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

Year Ended December 31,	Principal	Interest	Total
2012	\$1,772	\$2,930	\$4,702
2013	1,848	2,854	4,702
2014	1,928	2,774	4,702
2015	2,010	2,692	4,702
2016	2,096	2,606	4,702
2017-2021	11,913	11,597	23,510
2022-2026	14,700	8,810	23,510
2027-2031	18,142	5,368	23,510
2032-2035	14,962	1,288	16,250
	<u>\$69,371</u>	<u>\$40,919</u>	<u>\$110,290</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. The Fire Pension liability was retired during 2011.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Compensated absences for sick and vacation leave liabilities will be paid from the General Fund, the Street Levy Special Revenue Fund, and the Water and Sewer Enterprise Funds. Capital lease obligations are paid from general property tax revenues from the General Fund and Street Levy Special Revenue Fund, and charges for services in the Water and Sewer Enterprise Funds.

The 1989 OWDA Sewer Improvement Loan, originally obtained in the amount of \$1,078,837; the 1988 OWDA Sylvania Avenue Sewer Loan, originally obtained in the amount of \$479,200; the OWDA Sewer Digester Loan, originally obtained in the amount of \$947,127; and the OWDA State Route 33 Sewer Improvements Loan, originally obtained for \$290,971, represents amounts borrowed for the purpose of improving the sewer system and will be repaid from charges for services in the Sewer Enterprise Fund.

Principal and interest requirements to retire the Sewer Improvements, Sylvania Avenue, Sewer Digester, and State Route 33 Sewer Improvements OWDA loan liabilities at December 31, 2011, are as follows:

Year Ended December 31,	Principal	Interest	Total
2012	\$180,494	\$34,516	\$215,010
2013	189,810	25,200	215,010
2014	96,063	15,237	111,300
2015	98,157	13,143	111,300
2016	100,300	11,000	111,300
2017-2021	409,480	25,316	434,796
2022-2023	26,066	523	26,589
	<u>\$1,100,370</u>	<u>\$124,935</u>	<u>\$1,225,305</u>

The 2007 OWDA Adams Street Sewer Improvement Loan, authorized in the amount of \$282,023, is being used to finance sewer line extensions and improvements. The loan activity is reflected in the Sewer Enterprise Fund which received the proceeds and will repay the debt. The loan has been fully drawn down, but no amortization schedule has been established.

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

Principal requirements to retire the OPWC Adams Street Sewer Improvement Loan liability at December 31, 2011, are as follows:

Year Ended December 31,	Principal
2012	\$9,453
2013	5,265
2014	5,265
2015	5,265
2016	5,265
2017-2021	26,325
2022-2026	26,325
2027-2030	23,693
	<u>\$106,856</u>

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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

Principal and interest requirements to retire the OWDA Water Improvements Loan liability at December 31, 2011, are as follows:

Year Ended December 31,	Principal	Interest	Total
2012	\$12,887	\$3,233	\$16,120
2013	13,146	2,974	16,120
2014	13,410	2,710	16,120
2015	13,680	2,440	16,120
2016	13,955	2,165	16,120
2017-2021	74,096	6,507	80,603
2022-2023	23,705	478	24,183
	<u>\$164,879</u>	<u>\$20,507</u>	<u>\$185,386</u>

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

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

Principal requirements to retire the OPWC Adams Street Water Improvement Loan liability at December 31, 2011, are as follows:

Year Ended December 31,	Principal
2012	\$9,251
2013	5,156
2014	5,156
2015	5,156
2016	5,156
2017-2021	25,781
2022-2026	25,781
2027-2030	23,204
	<u>\$104,641</u>

The 2010 OWDA Water Treatment Plant loan, authorized in the amount of \$200,000, is being used to finance the planning and design phases for a new water treatment plant. The loan 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 2011 OPWC Booster Station Loan, issued in the amount of \$20,000, was used to finance the construction of a new water booster station and will be repaid from charges for service in the Water Enterprise Fund.

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Principal requirements to retire the OPWC Booster Station Loan liability at December 31, 2011, are as follows:

Year Ended December 31,	Principal
2012	\$333
2013	666
2014	667
2015	666
2016	667
2017-2021	3,333
2022-2026	3,333
2027-2031	3,334
2032-2036	3,333
2037-2041	3,334
2042	334
	<u>\$20,000</u>

The City has pledged future sewer customer revenues to repay \$1,351,358 in outstanding 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 2030. Net revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loans are expected to require less than 73 percent of net revenues in future years. The total principal and interest remaining to be paid on the loans are \$1,476,293. Principal and interest payments for the current year were \$237,037, net revenues were \$329,063, and total revenues were \$1,023,062.

The City has pledged future water customer revenues to repay \$533,336 in water system OWDA and OPWC loans obtained in 2002, 2007, 2008, 2010, and 2011. The loans are payable solely from water customer net revenues and are payable through 2042. Net revenues include all revenues received by the water utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loans are expected to require less than 15 percent of net revenues in future years. The total principal and interest remaining to be paid on the loans are \$586,843. Principal and interest payments for the current year were \$46,834, net revenues were \$339,998, and total revenues were \$1,123,279.

The City's overall legal debt margin was \$4,498,834 at December 31, 2011.

Note 21 - Subsequent Events

On February 23, 2012, the City issued a \$125,000 bond anticipation note which will mature on February 22, 2014. This new note, in combination with a \$125,000 principal payment, retired the 2011 Aquatic Center bond anticipation note of \$250,000.

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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 26, 2012, wherein we noted the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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 June 26, 2012.

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

June 26, 2012



Dave Yost • Auditor of State

CITY OF NELSONVILLE

ATHENS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 18, 2012**