



CITY OF NELSONVILLE, OHIO

Regular Audit

For the Year Ended December 31, 2010

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS





Dave Yost • Auditor of State

City Council
City of Nelsonville
PO Box 370
211 Lake Hope Drive
Nelsonville, Ohio 45764-0370

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, 2010 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

August 29, 2011

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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, 2010, 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, 2010, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparisons for the General, Street Levy and Aquatic Center Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 27, 2011 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. While we do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering the results of our audit.

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

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

June 27, 2011

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City of Nelsonville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
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, 2010. 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 2010 are as follows:

- In total, net assets decreased \$203,154. Net assets of governmental activities decreased \$445,288, or 3.1 percent from 2009. Net assets of business-type activities increased \$242,134, or 4.5 percent from 2009.
- In total, assets decreased \$425,011. Governmental activities assets decreased \$476,771, while the business-type activities assets increased \$51,760.
- Overall, capital assets decreased \$587,277. Total capital assets of governmental activities decreased \$419,845, or 3.6 percent. Capital assets of business-type activities decreased \$167,432, or 2.5 percent.
- In total, liabilities decreased \$221,857. Total liabilities of governmental activities decreased \$31,483. Total liabilities of business-type activities decreased \$190,374 from 2009.

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 2010?" 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
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In the Statement of Net Assets and the Statement of Activities, the City is divided into two kinds of activities:

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

Reporting the City of Nelsonville's Most Significant Funds

Fund Financial Statements

The basic governmental fund financial statements begin on page 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 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, 2010
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 2010 compared to 2009.

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets						
Current and Other Assets	\$4,526,622	\$4,583,548	\$1,437,063	\$1,217,871	\$5,963,685	\$5,801,419
Capital Assets, Net	11,103,259	11,523,104	6,413,841	6,581,273	17,517,100	18,104,377
<i>Total Assets</i>	<u>15,629,881</u>	<u>16,106,652</u>	<u>7,850,904</u>	<u>7,799,144</u>	<u>23,480,785</u>	<u>23,905,796</u>
Liabilities						
Current and Other Liabilities	761,545	578,737	196,123	247,442	957,668	826,179
Long-Term Liabilities:						
Due within One Year	105,092	121,364	235,149	226,861	340,241	348,225
Due in More than One Year	682,061	880,080	1,815,473	1,962,816	2,497,534	2,842,896
<i>Total Liabilities</i>	<u>1,548,698</u>	<u>1,580,181</u>	<u>2,246,745</u>	<u>2,437,119</u>	<u>3,795,443</u>	<u>4,017,300</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	10,327,778	10,522,852	4,425,199	4,436,264	14,752,977	14,959,116
Restricted for:						
Unclaimed Monies	19,451	16,528	0	0	19,451	16,528
Streets	287,301	304,143	0	0	287,301	304,143
Parks	424,119	335,458	0	0	424,119	335,458
Capital Projects	1,018,067	1,110,812	0	0	1,018,067	1,110,812
Other Purposes	108,344	155,911	0	0	108,344	155,911
Unrestricted	1,896,123	2,080,767	1,178,960	925,761	3,075,083	3,006,528
<i>Total Net Assets</i>	<u>\$14,081,183</u>	<u>\$14,526,471</u>	<u>\$5,604,159</u>	<u>\$5,362,025</u>	<u>\$19,685,342</u>	<u>\$19,888,496</u>

Total governmental activities assets decreased \$476,771. This is primarily due to decreases in capital assets in the amount of \$419,845, cash and cash equivalents in the amount of \$128,371, and receivables from other governments in the amount of \$82,031, offset by an increase property taxes receivable in the amount of \$167,355. The decreases in capital assets are due to depreciation of capital assets in an amount greater than the addition of capital assets. The decrease in cash and cash equivalents is due to decreases in operational revenue. The decrease in receivables from other governments is the result of a decrease in funding from the Community Housing Improvement Program. The increase in property taxes receivable is due to the replacement of a two mill street levy voted on in 2009, with collections beginning in 2010.

Total governmental activities liabilities decreased \$31,483. Current and other liabilities increased \$182,808. This is primarily the result of increases in deferred revenue of \$117,356 due to increased property tax receivables, combined with an increase in contracts payable of \$68,245 from the construction of the City's new salt shed. Long-term liabilities decreased \$214,291 as the City made required debt service payments greater than amounts issued for new debt.

Total business-type activities assets increased \$51,760. This is primarily due to increases in cash and cash equivalents in the amount of \$201,574, the result of decreased operational costs.

For business-type activities, liabilities decreased \$190,374. Contracts payable fell by \$22,804, combined with decreases of \$139,055 in long-term liabilities as the City made its required debt service payments.

City of Nelsonville, Ohio
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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	
	2010	2009	2010	2009	2010	2009
Revenues						
Program Revenues						
Charges for Services	\$180,136	\$187,352	\$2,062,882	\$1,966,532	\$2,243,018	\$2,153,884
Operating Grants, Contributions and Interest	292,489	195,927	0	0	292,489	195,927
Capital Grants and Contributions	38,000	988,083	45,796	23,146	83,796	1,011,229
<i>Total Program Revenues</i>	<u>510,625</u>	<u>1,371,362</u>	<u>2,108,678</u>	<u>1,989,678</u>	<u>2,619,303</u>	<u>3,361,040</u>
General Revenues						
Property Taxes	447,151	361,317	0	0	447,151	361,317
Income Taxes	1,731,519	1,647,757	0	0	1,731,519	1,647,757
Grants and Entitlements	69,263	173,354	0	0	69,263	173,354
Interest	64,634	159,192	0	0	64,634	159,192
Other	77,588	72,745	25,431	640	103,019	73,385
<i>Total General Revenues</i>	<u>2,390,155</u>	<u>2,414,365</u>	<u>25,431</u>	<u>640</u>	<u>2,415,586</u>	<u>2,415,005</u>
Total Revenues	<u>2,900,780</u>	<u>3,785,727</u>	<u>2,134,109</u>	<u>1,990,318</u>	<u>5,034,889</u>	<u>5,776,045</u>
Program Expenses						
General Government	646,764	529,359	0	0	646,764	529,359
Security of Persons and Property:						
Police	844,414	780,556	0	0	844,414	780,556
Fire	405,254	469,677	0	0	405,254	469,677
Transportation	994,752	941,564	0	0	994,752	941,564
Leisure Time Activities	243,922	248,756	0	0	243,922	248,756
Community Environment	138,427	317,838	0	0	138,427	317,838
Interest and Fiscal Charges	32,535	37,717	0	0	32,535	37,717
Water	0	0	999,831	1,073,685	999,831	1,073,685
Sewer	0	0	931,588	976,439	931,588	976,439
Parking Meter	0	0	556	21,509	556	21,509
<i>Total Program Expenses</i>	<u>3,306,068</u>	<u>3,325,467</u>	<u>1,931,975</u>	<u>2,071,633</u>	<u>5,238,043</u>	<u>5,397,100</u>
<i>Increase (Decrease) in Net Assets before Transfers</i>	(405,288)	460,260	202,134	(81,315)	(203,154)	378,945
<i>Transfers</i>	(40,000)	0	40,000	0	0	0
<i>Increase (Decrease) in Net Assets</i>	(445,288)	460,260	242,134	(81,315)	(203,154)	378,945
<i>Net Assets at Beginning of Year</i>	14,526,471	14,066,211	5,362,025	5,443,340	19,888,496	19,509,551
<i>Net Assets at End of Year</i>	<u>\$14,081,183</u>	<u>\$14,526,471</u>	<u>\$5,604,159</u>	<u>\$5,362,025</u>	<u>\$19,685,342</u>	<u>\$19,888,496</u>

City of Nelsonville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2010
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Governmental Activities

Program revenues accounted for 17.6 percent of total revenues for governmental activities in 2010. The amount of program revenues decreased \$860,737 from 2009. This decrease is due to the grant funding for the Adams, Cross, and Love Streets Reconstruction and Rehabilitation project ending upon the project's completion. 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 94.0 percent of general revenues and 77.5 percent of total revenues. In total, the City's general revenues decreased \$24,210 during 2010. This reduction is due to decreases in the City's investment income due to the worsening investment climate.

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 \$19,399. Security of persons and property is a major activity of the City, representing 37.8 percent of the governmental expenses. During 2010, expenses for police and fire operations amounted to \$844,414 and \$405,254, respectively. Expenses increased \$63,858 in the police department and decreased \$64,423 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 30.1 percent of governmental expenses. This is an increase of \$53,188. This is due to an increase in the annual depreciation expense.

General government, leisure time activities, community environment, and interest and fiscal charges account for the remaining 32.1 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 2010, program revenues exceeded program expenses by \$176,703 for all business-type activities.

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

THE CITY'S FUNDS

The City's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$3,023,422 and expenditures of \$3,132,022.

The fund balance of the General Fund decreased \$39,807. The General Fund's unreserved fund balance of \$1,801,459 represented 102.4 percent of current year expenditures. Most of this balance remains in the City's treasury.

The fund balance of the Street Levy Special Revenue Fund decreased \$11,248 and has a deficit fund balance of \$18,792 at the end of 2010.

City of Nelsonville, Ohio
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The fund balance of the Aquatic Center Special Revenue Fund increased \$64,807. The Aquatic Center Fund's unreserved fund balance of \$193,060 represented 65.8 percent of current year expenditures.

The fund balance of the Capital Improvements Capital Projects Fund decreased \$95,587. The Capital Improvement Fund's unreserved fund balance of \$968,264 represented 200 percent of current year expenditures.

The net asset balance of the Water Enterprise Fund increased \$122,409. The Water Fund's unrestricted net assets balance of \$430,181 represented 43.4 percent of current year expenses.

The net asset balance of the Sewer Enterprise Fund increased \$106,865. The Sewer Fund's unrestricted net assets balance of \$745,448 represented 84.9 percent of current year expenses.

The net asset balance of the Parking Meter Enterprise fund increased \$12,860. The Parking Meter Fund's unrestricted net assets balance of \$3,331 represented 599 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 2010, the City amended its General Fund budget several times, none were significant. All recommendations for a budget change came from the City Auditor to the Finance Committee of Council for review before going to the whole Council for Ordinance enactment on the change. The allocation of appropriations among the departments and objects within a fund may be modified during the year by the City Auditor without an ordinance of Council. With the General Fund supporting many of our major activities such as our police and fire departments, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or overspending by individual departments.

For the General Fund, no adjustments were made to the original budgeted revenues. Final budgeted expenditures were increased \$265,248 over the original amount, due to incorrect assumptions being made regarding salaries and benefits. The City of Nelsonville's ending unencumbered cash balance in the General Fund was \$114,770 below the final budgeted amount. This is due to decreased operating revenue. The City will continue to make every reasonable effort to hold costs down and maximize the returns the City receives for the monies that are spent.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2010, the City had \$11,103,259 in governmental activities, and \$6,413,841 in business-type activities, invested in land, construction in progress, buildings, furniture, fixtures, and equipment, vehicles, and infrastructure. Table 3 shows fiscal year 2010 balances compared to 2009.

City of Nelsonville, Ohio
Management's Discussion and Analysis
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(Table 3)
 Capital Assets at December 31, 2010

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$407,263	\$407,263	\$155,955	\$155,955	\$563,218	\$563,218
Construction in Progress	0	0	55,325	6,681	55,325	6,681
Land Improvements	1,289,477	1,281,170	5,051	5,404	1,294,528	1,286,574
Buildings and Improvements	2,307,042	2,260,079	0	0	2,307,042	2,260,079
Furniture, Fixtures, and Equipment	341,685	318,642	257,551	236,042	599,236	554,684
Vehicles	536,285	501,144	877	9,943	537,162	511,087
Infrastructure:						
U.S. and State Roads	4,167,531	4,497,387	0	0	4,167,531	4,497,387
City Streets	1,831,125	2,006,834	0	0	1,831,125	2,006,834
Street Signals	222,851	250,585	0	0	222,851	250,585
Water System	0	0	2,637,529	2,677,977	2,637,529	2,677,977
Sewer System	0	0	3,301,553	3,489,268	3,301,553	3,489,268
Totals	\$11,103,259	\$11,523,104	\$6,413,841	\$6,581,270	\$17,517,100	\$18,104,374

The assets of the City are reported at historical cost, net of depreciation. For additional information on capital assets, see Note 16 to the basic financial statements.

Debt

By year end, the City had various loans and capital leases payable, totaling \$2,836,013 of which \$310,919 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; three Ohio Public Works Commission loans outstanding, one for sewer system improvements, one 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 the vehicles and office equipment.

(Table 4)
 Outstanding Debt at December 31, 2010

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
OWDA Loans	\$24,594	\$24,536	\$1,758,441	\$1,925,496	\$1,783,035	\$1,950,032
OPWC Loans	157,132	155,647	230,201	211,882	387,333	367,529
Bond Anticipation Notes	375,000	500,000	0	0	375,000	500,000
Capital Leases	218,755	320,069	0	7,628	218,755	327,697
Police Pension Liability	71,070	72,699	0	0	71,070	72,699
Fire Pension Liability	820	839	0	0	820	839
Totals	\$847,371	\$1,073,790	\$1,988,642	\$2,145,006	\$2,836,013	\$3,218,796

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 \$4,589,852 at December 31, 2010. For additional information on the City's debt, see Notes 17, 18, and 19 to the basic financial statements.

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

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$3,394,522	\$1,065,822	\$4,460,344
Accounts Receivable	4,040	337,144	341,184
Intergovernmental Receivable	229,379	15,364	244,743
Income Taxes Receivable	384,331	0	384,331
Prepaid Items	33,763	18,733	52,496
Property Taxes Receivable	480,587	0	480,587
Nondepreciable Capital Assets	407,263	211,280	618,543
Depreciable Capital Assets, Net	10,695,996	6,202,561	16,898,557
<i>Total Assets</i>	<u>15,629,881</u>	<u>7,850,904</u>	<u>23,480,785</u>
Liabilities			
Accounts Payable	49,281	34,665	83,946
Contracts Payable	95,395	0	95,395
Accrued Wages Payable	14,116	11,374	25,490
Intergovernmental Payable	77,289	34,486	111,775
Accrued Interest Payable	8,226	23,649	31,875
Deferred Revenue	392,238	0	392,238
Notes Payable	125,000	0	125,000
Customer Deposits Payable	0	91,949	91,949
Long-Term Liabilities:			
Due within One Year	105,092	235,149	340,241
Due in More than One Year	682,061	1,815,473	2,497,534
<i>Total Liabilities</i>	<u>1,548,698</u>	<u>2,246,745</u>	<u>3,795,443</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	10,327,778	4,425,199	14,752,977
Restricted for:			
Unclaimed Monies	19,451	0	19,451
Streets	287,301	0	287,301
Parks	424,119	0	424,119
Capital Projects	1,018,067	0	1,018,067
Other Purposes	108,344	0	108,344
Unrestricted	1,896,123	1,178,960	3,075,083
<i>Total Net Assets</i>	<u>\$14,081,183</u>	<u>\$5,604,159</u>	<u>\$19,685,342</u>

See accompanying notes to the basic financial statements

City of Nelsonville, Ohio
Statement of Activities
For the Year Ended December 31, 2010

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities				
General Government	\$646,764	\$6,201	\$0	\$38,000
Security of Persons and Property:				
Police	844,414	73,577	0	0
Fire	405,254	4,000	0	0
Transportation	994,752	0	208,033	0
Leisure Time Activities	243,922	96,358	75,001	0
Community Environment	138,427	0	9,455	0
Interest and Fiscal Charges	32,535	0	0	0
<i>Total Governmental Activities</i>	<u>3,306,068</u>	<u>180,136</u>	<u>292,489</u>	<u>38,000</u>
Business-Type Activities				
Water	999,831	1,026,312	0	42,416
Sewer	931,588	1,023,154	0	3,380
Parking Meter	556	13,416	0	0
<i>Total Business-Type Activities</i>	<u>1,931,975</u>	<u>2,062,882</u>	<u>0</u>	<u>45,796</u>
Totals	<u>\$5,238,043</u>	<u>\$2,243,018</u>	<u>\$292,489</u>	<u>\$83,796</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

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
(\$602,563)	\$0	(\$602,563)
(770,837)	0	(770,837)
(401,254)	0	(401,254)
(786,719)	0	(786,719)
(72,563)	0	(72,563)
(128,972)	0	(128,972)
(32,535)	0	(32,535)
(2,795,443)	0	(2,795,443)
0	68,897	68,897
0	94,946	94,946
0	12,860	12,860
0	176,703	176,703
(2,795,443)	176,703	(2,618,740)
189,624	0	189,624
239,172	0	239,172
18,355	0	18,355
1,152,645	0	1,152,645
248,551	0	248,551
330,323	0	330,323
69,263	0	69,263
64,634	0	64,634
77,588	25,431	103,019
2,390,155	25,431	2,415,586
(40,000)	40,000	0
2,350,155	65,431	2,415,586
(445,288)	242,134	(203,154)
14,526,471	5,362,025	19,888,496
<u>\$14,081,183</u>	<u>\$5,604,159</u>	<u>\$19,685,342</u>

City of Nelsonville, Ohio

*Balance Sheet
Governmental Funds
December 31, 2010*

	General	Street Levy	Aquatic Center	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$1,741,213	\$1,246	\$292,452	\$998,409	\$341,751	\$3,375,071
Restricted Assets: Cash and Cash Equivalents	19,451	0	0	0	0	19,451
Receivables:						
Property Taxes	191,453	270,042	0	0	19,092	480,587
Income Taxes	230,599	0	54,882	98,850	0	384,331
Accounts	2,694	0	1,236	0	110	4,040
Intergovernmental	86,899	13,186	0	0	129,294	229,379
Prepaid Items	25,781	777	2,094	225	4,886	33,763
Total Assets	\$2,298,090	\$285,251	\$350,664	\$1,097,484	\$495,133	\$4,526,622
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$19,546	\$16,548	\$2,245	\$1,427	\$9,515	\$49,281
Contracts Payable	0	0	0	77,990	17,405	95,395
Accrued Wages Payable	11,405	2,571	140	0	0	14,116
Intergovernmental Payable	65,938	1,696	2,568	0	7,087	77,289
Deferred Revenue	380,291	283,228	27,651	49,803	132,084	873,057
Notes Payable	0	0	125,000	0	0	125,000
Total Liabilities	477,180	304,043	157,604	129,220	166,091	1,234,138
Fund Balances						
Reserved for Unclaimed Monies	19,451	0	0	0	0	19,451
Unreserved, Undesignated, Reported in:						
General Fund	1,801,459	0	0	0	0	1,801,459
Special Revenue Funds (Deficit)	0	(18,792)	193,060	0	329,042	503,310
Capital Projects Fund	0	0	0	968,264	0	968,264
Total Fund Balances (Deficit)	1,820,910	(18,792)	193,060	968,264	329,042	3,292,484
Total Liabilities and Fund Balances	\$2,298,090	\$285,251	\$350,664	\$1,097,484	\$495,133	\$4,526,622

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, 2010*

Total Governmental Fund Balances		\$3,292,484
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		11,103,259
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:		
Property Taxes	88,349	
Income Taxes	193,635	
Intergovernmental Revenues	198,575	
Other Revenues	260	480,819
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Police Pension Payable	(71,070)	
Fire Pension Payable	(820)	
Notes Payable	(250,000)	
Loans Payable	(181,726)	
Capital Leases Payable	(218,755)	
Accrued Interest Payable	(8,226)	
Compensated Absences	(64,782)	(795,379)
 Net Assets of Governmental Activities		 <u>\$14,081,183</u>

See accompanying notes to the basic financial statements

City of Nelsonville, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2010

	General	Street Levy	Aquatic Center	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$173,800	\$203,984	\$0	\$0	\$16,974	\$394,758
Income Taxes	1,227,068	0	259,574	327,481	0	1,814,123
Intergovernmental	146,921	12,060	0	38,000	280,169	477,150
Charges for Services	8,480	0	96,358	0	0	104,838
Fines, Licenses, and Permits	60,895	0	0	0	14,403	75,298
Interest	64,634	0	0	0	3,790	68,424
Gifts and Donations	0	0	0	0	9,101	9,101
Other	77,487	0	2,143	0	100	79,730
Total Revenues	1,759,285	216,044	358,075	365,481	324,537	3,023,422
Expenditures						
Current:						
General Government	519,873	0	0	125,055	66,801	711,729
Security of Persons and Property:						
Police	814,818	0	0	0	8,898	823,716
Fire	337,597	0	0	0	0	337,597
Transportation	56,203	227,292	0	0	186,828	470,323
Leisure Time Activities	0	0	154,556	0	37,658	192,214
Community Environment	30,601	0	0	0	63,565	94,166
Capital Outlay	0	0	0	213,463	0	213,463
Debt Service:						
Principal Retirement	0	0	0	125,064	2,815	127,879
Interest and Fiscal Charges	0	0	13,712	21,236	987	35,935
Current Refunding	0	0	125,000	0	0	125,000
Total Expenditures	1,759,092	227,292	293,268	484,818	367,552	3,132,022
<i>Excess of Revenues Over (Under) Expenditures</i>	193	(11,248)	64,807	(119,337)	(43,015)	(108,600)
Other Financing Sources (Uses)						
Inception of Capital Lease	0	0	0	23,750	0	23,750
Proceeds of OWDA Loans	0	0	0	0	1,940	1,940
Proceeds of OPWC Loans	0	0	0	0	2,418	2,418
Issuance of Bond Anticipation Notes	0	0	250,000	0	0	250,000
Current Refunding	0	0	(250,000)	0	0	(250,000)
Transfers Out	(40,000)	0	0	0	0	(40,000)
Total Other Financing Sources (Uses)	(40,000)	0	0	23,750	4,358	(11,892)
Net Change in Fund Balance	(39,807)	(11,248)	64,807	(95,587)	(38,657)	(120,492)
<i>Fund Balances (Deficit) at Beginning of Year</i>	1,860,717	(7,544)	128,253	1,063,851	367,699	3,412,976
Fund Balances (Deficit) at End of Year	\$1,820,910	(\$18,792)	\$193,060	\$968,264	\$329,042	\$3,292,484

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, 2010*

Net Change in Fund Balances - Total Governmental Funds (\$120,492)

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

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

Capital Assets Additions	330,901	
Depreciation Expense	<u>(750,746)</u>	(419,845)

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

Property Taxes	52,393	
Income Taxes	(82,604)	
Intergovernmental Revenues	(90,289)	
Other Revenue	<u>(2,142)</u>	(122,642)

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

Bond Anticipation Notes Payable	375,000	
OWDA Loans Payable	1,882	
OPWC Loans Payable	933	
Capital Leases Payable	125,064	
Police Pension Payable	1,629	
Fire Pension Payable	<u>19</u>	504,527

In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, interest is expended when due. 3,400

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

Inception of Capital Leases	(23,750)	
Proceeds of Bond Anticipation Notes	(250,000)	
Proceeds of OWDA Loans	(1,940)	
Proceeds of OPWC Loans	<u>(2,418)</u>	(278,108)

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. (12,128)

Change in Net Assets of Governmental Activities (\$445,288)

See accompanying notes to the basic financial statements

City of Nelsonville, Ohio
*Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2010*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$164,700	\$164,700	\$176,194	\$11,494
Income Taxes	1,500,000	1,500,000	1,188,922	(311,078)
Intergovernmental	112,932	112,932	145,837	32,905
Charges for Services	4,800	4,800	8,510	3,710
Fines, Licenses, and Permits	64,200	64,200	61,298	(2,902)
Interest	100,000	100,000	64,634	(35,366)
Other	35,000	35,000	77,458	42,458
<i>Total Revenues</i>	1,981,632	1,981,632	1,722,853	(258,779)
Expenditures				
Current:				
General Government	499,082	627,895	537,700	90,195
Security of Persons and Property:				
Police	760,131	819,523	818,948	575
Fire	317,398	379,345	341,958	37,387
Transportation	52,166	59,776	56,203	3,573
Community Environment	28,450	35,936	30,651	5,285
<i>Total Expenditures</i>	1,657,227	1,922,475	1,785,460	137,015
<i>Excess of Revenues Over (Under) Expenditures</i>	324,405	59,157	(62,607)	(121,764)
Other Financing Sources (Uses)				
Advances In	0	0	8,628	8,628
Transfers In	0	35,000	0	(35,000)
Transfers Out	(37,127)	(73,366)	(40,000)	33,366
<i>Total Other Financing Sources (Uses)</i>	(37,127)	(38,366)	(31,372)	6,994
<i>Net Change in Fund Balance</i>	287,278	20,791	(93,979)	(114,770)
<i>Fund Balance at Beginning of Year</i>	1,853,922	1,853,922	1,853,922	0
<i>Fund Balance at End of Year</i>	\$2,141,200	\$1,874,713	\$1,759,943	(\$114,770)

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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$206,200	\$206,200	\$203,984	(\$2,216)
Intergovernmental	24,000	24,000	12,060	(11,940)
Other	500	500	0	(500)
<i>Total Revenues</i>	<u>230,700</u>	<u>230,700</u>	<u>216,044</u>	<u>(14,656)</u>
Expenditures				
Current:				
Transportation	<u>229,924</u>	<u>229,924</u>	<u>214,799</u>	<u>15,125</u>
<i>Excess of Revenues Over Expenditures</i>	776	776	1,245	469
<i>Fund Balance at Beginning of Year</i>	<u>1</u>	<u>1</u>	<u>1</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$777</u></u>	<u><u>\$777</u></u>	<u><u>\$1,246</u></u>	<u><u>\$469</u></u>

See accompanying notes to the basic financial statements

City of Nelsonville, Ohio
*Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Aquatic Center Fund
For the Year Ended December 31, 2010*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Income Taxes	\$230,000	\$230,000	\$247,818	\$17,818
Charges for Services	85,900	85,900	96,358	10,458
Other	0	0	907	907
<i>Total Revenues</i>	<u>315,900</u>	<u>315,900</u>	<u>345,083</u>	<u>29,183</u>
Expenditures				
Current:				
Leisure Time Activities	183,892	188,892	154,195	34,697
Debt Service:				
Principal Retirements	500,000	500,000	500,000	0
Interest and Fiscal Charges	13,760	13,760	13,712	48
<i>Total Expenditures</i>	<u>697,652</u>	<u>702,652</u>	<u>667,907</u>	<u>34,745</u>
<i>Excess of Revenues Under Expenditures</i>	(381,752)	(386,752)	(322,824)	63,928
Other Financing Sources				
Bond Anticipation Notes Issued	375,000	375,000	375,000	0
<i>Net Change in Fund Balance</i>	(6,752)	(11,752)	52,176	63,928
<i>Fund Balance at Beginning of Year</i>	<u>240,276</u>	<u>240,276</u>	<u>240,276</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$233,524</u>	<u>\$228,524</u>	<u>\$292,452</u>	<u>\$63,928</u>

See accompanying notes to the basic financial statements

City of Nelsonville, Ohio
Statement of Fund Net Assets
Enterprise Funds
December 31, 2010

	Water	Sewer	Parking Meter	Total Enterprise Funds
Assets				
Current :				
Equity in Pooled Cash and Cash Equivalents	\$327,121	\$643,421	\$3,331	\$973,873
Restricted Assets:				
Customer Deposits	55,169	36,780	0	91,949
Accounts Receivable	166,337	170,807	0	337,144
Intergovernmental Receivable	7,599	7,765	0	15,364
Prepaid Items	12,374	6,359	0	18,733
<i>Total Current Assets</i>	<u>568,600</u>	<u>865,132</u>	<u>3,331</u>	<u>1,437,063</u>
Noncurrent:				
Nondepreciable Capital Assets	78,597	132,683	0	211,280
Depreciable Capital Assets, Net	2,764,672	3,437,411	478	6,202,561
<i>Total Noncurrent Assets</i>	<u>2,843,269</u>	<u>3,570,094</u>	<u>478</u>	<u>6,413,841</u>
<i>Total Assets</i>	<u>3,411,869</u>	<u>4,435,226</u>	<u>3,809</u>	<u>7,850,904</u>
Liabilities				
Current:				
Accounts Payable	13,096	21,569	0	34,665
Accrued Wages Payable	5,561	5,813	0	11,374
Accrued Interest Payable	1,790	21,859	0	23,649
Intergovernmental Payable	17,682	16,804	0	34,486
OWDA Loans Payable	24,319	183,720	0	208,039
OPWC Loans Payable	5,946	6,072	0	12,018
Compensated Absences Payable	9,821	5,271	0	15,092
Customer Deposits Payable	55,169	36,780	0	91,949
<i>Total Current Liabilities</i>	<u>133,384</u>	<u>297,888</u>	<u>0</u>	<u>431,272</u>
Long-Term:				
OWDA Loans Payable	305,841	1,244,561	0	1,550,402
OPWC Loans Payable	107,946	110,237	0	218,183
Compensated Absences Payable	35,300	11,588	0	46,888
<i>Total Long-Term Liabilities</i>	<u>449,087</u>	<u>1,366,386</u>	<u>0</u>	<u>1,815,473</u>
<i>Total Liabilities</i>	<u>582,471</u>	<u>1,664,274</u>	<u>0</u>	<u>2,246,745</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	2,399,217	2,025,504	478	4,425,199
Unrestricted	430,181	745,448	3,331	1,178,960
<i>Total Net Assets</i>	<u>\$2,829,398</u>	<u>\$2,770,952</u>	<u>\$3,809</u>	<u>\$5,604,159</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, 2010*

	Water	Sewer	Parking Meter	Total Enterprise Funds
Operating Revenues				
Charges for Services	\$1,026,312	\$1,023,154	\$13,416	\$2,062,882
Other Operating Revenues	13,512	11,919	0	25,431
<i>Total Operating Revenues</i>	<u>1,039,824</u>	<u>1,035,073</u>	<u>13,416</u>	<u>2,088,313</u>
Operating Expenses				
Salaries and Wages	375,801	282,337	0	658,138
Fringe Benefits	145,436	96,784	0	242,220
Contractual Services	211,522	210,198	0	421,720
Materials and Supplies	105,118	67,859	400	173,377
Depreciation	135,410	220,695	156	356,261
Other	17,544	0	0	17,544
<i>Total Operating Expenses</i>	<u>990,831</u>	<u>877,873</u>	<u>556</u>	<u>1,869,260</u>
<i>Operating Income</i>	<u>48,993</u>	<u>157,200</u>	<u>12,860</u>	<u>219,053</u>
Non-Operating Expenses				
Loss on Disposal of Capital Assets	0	(3,000)	0	(3,000)
Interest and Fiscal Charges	(9,000)	(50,715)	0	(59,715)
<i>Total Non-Operating Expenses</i>	<u>(9,000)</u>	<u>(53,715)</u>	<u>0</u>	<u>(62,715)</u>
<i>Income before Contributions and Transfers</i>	39,993	103,485	12,860	156,338
Capital Contributions	42,416	3,380	0	45,796
Transfers In	40,000	0	0	40,000
<i>Change in Net Assets</i>	122,409	106,865	12,860	242,134
<i>Net Assets at Beginning of Year</i>	<u>2,706,989</u>	<u>2,664,087</u>	<u>(9,051)</u>	<u>5,362,025</u>
<i>Net Assets at End of Year</i>	<u><u>\$2,829,398</u></u>	<u><u>\$2,770,952</u></u>	<u><u>\$3,809</u></u>	<u><u>\$5,604,159</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, 2010

	Water	Sewer	Parking Meter	Total Enterprise Funds
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities:				
Cash Received from Customers	\$1,017,088	\$1,021,644	\$13,416	\$2,052,148
Cash Payments for Employee Services and Benefits	(507,385)	(376,110)	(1,057)	(884,552)
Cash Payments to Suppliers for Goods and Services	(326,625)	(275,787)	(400)	(602,812)
Other Operating Revenues	13,502	11,909	0	25,411
Customer Deposits Received	9,241	6,160	0	15,401
Other Operating Expenses	(17,544)	0	0	(17,544)
Customer Deposits Returned	(5,938)	(3,958)	0	(9,896)
<i>Net Cash Provided by Operating Activities</i>	<u>182,339</u>	<u>383,858</u>	<u>11,959</u>	<u>578,156</u>
Cash Flows from Non-Capital Financing Activities:				
Transfers In	40,000	0	0	40,000
Advances Out	0	0	(8,628)	(8,628)
<i>Net Cash Provided by (Used for) Non-Capital Financing Activities</i>	<u>40,000</u>	<u>0</u>	<u>(8,628)</u>	<u>31,372</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	(141,993)	(60,897)	0	(202,890)
Proceeds from OWDA Loans	12,533	12,850	0	25,383
Proceeds from OPWC Loans	14,749	15,072	0	29,821
Principal Paid on Debt	(29,803)	(174,137)	0	(203,940)
Interest Paid on Debt	(9,757)	(55,455)	0	(65,212)
Principal Paid on Capital Leases	(3,814)	(3,814)	0	(7,628)
Interest Paid on Capital Leases	(183)	(183)	0	(366)
Capital Contributions	10,043	6,835	0	16,878
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(148,225)</u>	<u>(259,729)</u>	<u>0</u>	<u>(407,954)</u>
<i>Net Increase in Cash and Cash Equivalents</i>	74,114	124,129	3,331	201,574
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>308,176</u>	<u>556,072</u>	<u>0</u>	<u>864,248</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$382,290</u></u>	<u><u>\$680,201</u></u>	<u><u>\$3,331</u></u>	<u><u>\$1,065,822</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
<i>Operating Income</i>	\$48,993	\$157,200	\$12,860	\$219,053
<i>Adjustments:</i>				
Depreciation	135,410	220,695	156	356,261
<i>Increase in Assets:</i>				
Accounts Receivable	(9,234)	(1,520)	0	(10,754)
Prepays Items	(4,448)	(621)	0	(5,069)
<i>Increase (Decrease) in Liabilities:</i>				
Accounts Payable	(5,688)	2,831	0	(2,857)
Accrued Wages Payable	675	2,483	0	3,158
Compensated Absences Payable	16,096	1,213	0	17,309
Customer Deposits	3,392	2,262	0	5,654
Intergovernmental Payable	(2,857)	(685)	(1,057)	(4,599)
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$182,339</u></u>	<u><u>\$383,858</u></u>	<u><u>\$11,959</u></u>	<u><u>\$578,156</u></u>

See accompanying notes to the basic financial statements

City of Nelsonville, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Fund
December 31, 2010

Assets

Cash and Cash Equivalents in Segregated Accounts	<u>\$1,261</u>
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Liabilities

Intergovernmental Payable	\$934
Undistributed Monies	<u>327</u>

<i>Total Liabilities</i>	<u>\$1,261</u>
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See accompanying notes to the basic financial statements

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

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, 2010

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.

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

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

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.

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

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

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, 2010, but which were levied to finance year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements were met have also been recorded as deferred revenue.

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

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

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

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

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 2010, 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 2010 amounted to \$64,634, which includes \$39,091 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, 2010, 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, 2010

H. Restricted Assets

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

I. Capital Assets

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

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

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

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

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

J. Compensated Absences

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

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

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 Reserves

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

M. Interfund Activity

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

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

N. Accrued Liabilities and Long-Term Liabilities

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

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

O. Estimates

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

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

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.

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

For 2010, the City has implemented Governmental Accounting and Standards Board (GASB) Statements No. 51, "Accounting and Financial Reporting for Intangible Assets". GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies and thereby enhancing comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any change to the City's financial statements.

Note 4 - Fund Deficits

The Street Levy and Baird Trust Special Revenue Funds had deficit fund balances of \$18,792 and \$6,075, respectively, as of December 31, 2010. These deficits resulted from the recognition of payables recorded in accordance with Generally Accepted Accounting Principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

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).

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
4. 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.

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	Aquatic Center
GAAP Basis	(\$39,807)	(\$11,248)	\$64,807
Revenue Accruals	(35,711)	0	(12,992)
Expenditure Accruals	(25,152)	12,466	554
Beginning of Year Prepaid Items	24,565	804	1,901
End of Year Prepaid Items	(25,781)	(777)	(2,094)
End of Year Unreported Cash	(721)	0	0
Advances	8,628	0	0
Budget Basis	(\$93,979)	\$1,245	\$52,176

Note 6 - Deposits and Investments

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

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

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

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

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

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

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

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

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

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

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

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

Cash on Hand At year end, the City \$8,840 in undeposited cash on hand which is included as a part of "Equity in Pooled Cash and Cash Equivalents".

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

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 \$4,452,765 and the bank balance was \$4,719,627. Of the bank balance, \$2,457,974 was covered by Federal depository insurance and \$2,261,653 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.

Note 7 - Receivables

Receivables at December 31, 2010, consisted primarily of municipal income taxes, property taxes, accounts (billings for user fees including unbilled utility services), and intergovernmental receivables arising from entitlements and shared revenues.

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

A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2010 for real and public utility property taxes represent collections of 2009 taxes. Property tax payments received during 2010 for tangible personal property (other than public utility property) are for 2010 taxes.

2010 real property taxes are levied after October 1, 2010, on assessed value as of January 1, 2010, the lien date. Assessed values are established by State law at thirty-five percent of the appraised market value. 2010 real property taxes are collected in and intended to finance 2011.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2010 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 real property taxes.

Tangible personal property tax revenue received during 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures, as of 2010, is no longer levied and collected. 2010 is the last year for the collection of tangible personal property taxes from telephone companies; however the City received no tangible personal property tax revenue from the telephone company property.

The full tax rate for all City operations for the year ended December 31, 2010, was \$9.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

City of Nelsonville, Ohio
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Real Property	\$45,979,010
Public Utility Tangible Personal Property	<u>3,036,020</u>
Total Assessed Value	<u>\$49,015,030</u>

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

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

The Athens County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of Nelsonville. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes, and outstanding delinquencies which are measurable as of December 31, 2010, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since current taxes were not levied to finance 2010 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, delinquent collectible property taxes have been recorded as revenue, while the remainder of the receivable has been deferred.

B. Income Taxes

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

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

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

City of Nelsonville, Ohio
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For the Year Ended December 31, 2010

C. Intergovernmental Receivable

A summary of intergovernmental receivables follows:

Governmental Activities:	
Local Government	\$71,295
Kilowatt Per Hour	2,756
Homestead and Rollback	21,557
Gasoline Tax	59,617
Motor Vehicle License Tax	15,929
State Electric Light	3,537
Community Housing Improvement Program	3,987
Ohio Department of Natural Resources	46,200
Ohio Public Works Commission	1,246
Miscellaneous	3,255
Total Governmental Activities	229,379
Business-Type Activities:	
Ohio Public Works Commission	15,364
Total Intergovernmental Receivables	\$244,743

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 \$432.64 for single coverage and \$1,335.57 for 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 \$32.1 for single coverage and \$119.42 for family coverage. The City pays 100 % of the premiums of all insurances for single plan employees. The City contributes the first \$750,000 and an additional 80% of any remaining premiums for family plan 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, 2010

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 2010, the City made \$2,400 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 2010, the City made \$15,000 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 Water Enterprise Fund in the amount of \$40,000. The transfer was used to move unrestricted revenue collected in the General Fund to assist in the planning and design phases of the new water plant.

Note 12 - Contractual Commitments

As of December 31, 2010, the City had the following contractual commitments:

Project	Fund	Contract Amount	Amount Expended	Balance at 12/31/2010
Water Treatment Plant	Water	\$20,000	\$13,225	\$6,775
Wastewater Treatment Plant Generator	Sewer	179,905	35,419	144,486
Totals		<u>\$199,905</u>	<u>\$48,644</u>	<u>\$151,261</u>

City of Nelsonville, Ohio
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For the Year Ended December 31, 2010

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 2010, 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
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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 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 plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the member directed plan.

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll. Member contribution rates, as set in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2010, members in state and local classifications contributed 10.0 percent of covered payroll. For 2010, member and employer contribution rates were consistent across all three plans.

The City's 2010 contribution rate was 14.0 percent. The portion of employers contributions used to fund pension benefits is net of post-employment health care benefits. 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 members allocated to health care for members in the traditional plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the combined plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010. Employer contribution rates are actuarially determined.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2010, 2009, and 2008, were \$106,427, \$99,141, and \$85,395, respectively. For 2010, 91.16 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008. There were no member-directed plan contributions for 2010 for the City of Nelsonville.

B. Ohio Police and Fire Pension Fund

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

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
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Funding Policy – Plan members are required to contribute 10 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 used 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 were \$44,397 and \$21,717 for the year ended December 31, 2010, \$42,014 and \$21,153 for the year ended December 31, 2009, and \$39,053 and \$26,778 for the year ended December 31, 2008. For 2010, 69.85 percent for police and 68.58 percent for firefighters has been contributed with the balance for both police and firefighters being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967. As of December 31, 2010, the unfunded police and firefighters liability of the City was \$71,070 and \$820, respectively, payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary.

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 a defined contribution plan.

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

In order to qualify for post-employment health care coverage, age and service retirees under the traditional 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 writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). 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 the traditional or combined plans 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 2010, state and local government employers contributed 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units.

City of Nelsonville, Ohio
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Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The portion of employer contributions allocated to health care for members in the traditional plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the combined plan was 4.73 percent from January 1 through February 28, 2010 and 4.23 percent from March 1 through December 31, 2010.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009, and 2008, were \$54,100, \$60,439, and \$59,185, respectively. For 2010, 91.16 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

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

B. Ohio Police and Fire Pension Fund

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

OP&F provides access to post-retirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit 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 healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

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

Funding policy – 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 the 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 firefighters, 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 administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

City of Nelsonville, Ohio
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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 healthcare benefits. For the year ended December 31, 2010, the employer contribution allocated to the healthcare plan was 6.75% of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$23,504 and \$8,498 for the year ended December 31, 2010, \$22,243 and \$8,277 for the year ended December 31, 2009, and \$20,675 and \$10,478 for the year ended December 31, 2008. For 2010, 69.85 percent has been contributed for police and 68.58 percent has been contributed for firefighters with the balance for both police and firefighters being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

Note 16 - Capital Assets

Capital asset activity for the year ended December 31, 2010, was as follows:

	Balance at 12/31/09	Additions	Deductions	Balance at 12/31/10
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$407,263	\$0	\$0	\$407,263
Depreciable Capital Assets:				
Land Improvements	1,389,244	45,110	0	1,434,354
Buildings and Improvements	3,052,437	85,269	0	3,137,706
Furniture, Fixtures, and Equipment	920,275	95,319	0	1,015,594
Vehicles	1,389,709	84,043	72,004	1,401,748
U.S and State Roads	7,203,622	0	0	7,203,622
City Streets	6,071,244	18,865	0	6,090,109
Street Signals	683,618	2,295	0	685,913
Total Depreciable Capital Assets	20,710,149	330,901	72,004	20,969,046
Less Accumulated Depreciation:				
Land Improvements	93,984	50,893	0	144,877
Buildings and Improvements	755,129	75,535	0	830,664
Furniture, Fixtures, and Equipment	622,638	51,271	0	673,909
Vehicles	844,792	92,675	72,004	865,463
U.S. and State Roads	2,706,235	329,856	0	3,036,091
City Streets	4,138,497	120,487	0	4,258,984
Street Signals	433,033	30,029	0	463,062
Total Accumulated Depreciation	9,594,308	750,746 *	72,004	10,273,050
Total Capital Assets being Depreciated, Net	11,115,841	(419,845)	0	10,695,996
Governmental Activities Capital Assets, Net	\$11,523,104	(\$419,845)	\$0	\$11,103,259

*Depreciation expense was charged to governmental programs as follows:

City of Nelsonville, Ohio
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For the Year Ended December 31, 2010

General Government	\$26,232
Security of Persons and Property:	
Police	34,120
Fire	69,866
Transportation	508,406
Leisure Time Activities	67,861
Community Environment	<u>44,261</u>
Total Depreciation Expense	<u><u>\$750,746</u></u>

	Balance at 12/31/09	Additions	Deductions	Balance at 12/31/10
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	\$155,955	\$0	\$0	\$155,955
Construction in Progress	6,681	48,644	0	55,325
Total Capital Assets not being Depreciated	<u>162,636</u>	<u>48,644</u>	<u>0</u>	<u>211,280</u>
Depreciable Capital Assets:				
Land Improvements	24,752	0	0	24,752
Furniture, Fixtures, and Equipment	871,688	81,930	0	953,618
Vehicles	144,336	0	38,408	105,928
Infrastructure	11,084,685	61,258	0	11,145,943
Total Capital Assets being Depreciated	<u>12,125,461</u>	<u>143,188</u>	<u>38,408</u>	<u>12,230,241</u>
Less Accumulated Depreciation:				
Land Improvements	19,348	353	0	19,701
Furniture, Fixtures, and Equipment	645,453	50,614	0	696,067
Vehicles	134,393	6,066	35,408	105,051
Infrastructure	4,907,633	299,228	0	5,206,861
Total Accumulated Depreciation	<u>5,706,827</u>	<u>356,261</u>	<u>35,408</u>	<u>6,027,680</u>
Total Capital Assets being Depreciated, Net	<u>6,418,634</u>	<u>(213,073)</u>	<u>3,000</u>	<u>6,202,561</u>
Business-Type Activities Capital Assets, Net	<u><u>\$6,581,270</u></u>	<u><u>(\$164,429)</u></u>	<u><u>\$3,000</u></u>	<u><u>\$6,413,841</u></u>

Note 17 - Capital Leases - Lessee Disclosure

During 2010, the City entered into one new lease for the purchase of a police cruiser. In prior years, the City had entered into several capital leases for the purchase of vehicles, heavy equipment, and office equipment.

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

City of Nelsonville, Ohio
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For the Year Ended December 31, 2010

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Machinery and Equipment	\$26,422	\$42,585
Vehicles	938,465	0
Less: Accumulated Depreciation	(542,906)	(17,164)
Total	\$421,981	\$25,421

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, 2010:

Year Ending December 31,	Governmental Activities
2011	\$89,272
2012	80,482
2013	18,702
2014	18,702
2015	18,702
2016	18,702
Total Minimum Lease Payments	244,562
Less: Amount Representing Interest	(25,807)
Present Value of Net Minimum Lease Payments	\$218,755

Note 18 - Notes Payable

A summary of the note transactions for the year ended December 31, 2010, follows:

	Principal Outstanding 12/31/09	Additions	Deductions	Principal Outstanding 12/31/10
2009 Aquatic Center Bond Anticipation Notes - 2.75%	\$125,000	\$0	\$125,000	\$0
2010 Aquatic Center Bond Anticipation Notes - 2.62%	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 25, 2010, and matures on February 24, 2011. On February 24, 2011, 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, 2010

Note 19 - Long - Term Obligations

A schedule of changes in long-term obligations of the City during 2010 follows:

	Principal Outstanding 12/31/09	Additions	Deductions	Principal Outstanding 12/31/10	Amounts Due in One Year
Governmental Activities:					
2009 Aquatic Center Bond					
Anticipation Note - 2.75%	\$375,000	\$0	\$375,000	\$0	\$0
2010 Aquatic Center Bond					
Anticipation Note - 2.62%	0	250,000	0	250,000	0
2007 OWDA Adams Street					
Improvements Loan - 2.00%	24,536	1,940	1,882	24,594	1,915
2008 OPWC Adams Street					
Improvements Loan - 0%	155,647	2,418	933	157,132	8,204
Capital Leases	320,069	23,750	125,064	218,755	79,025
Police and Fire Pension Liability	73,538	0	1,648	71,890	1,718
Compensated Absences	52,654	15,408	3,280	64,782	14,230
Total Governmental Activities	\$1,001,444	\$293,516	\$507,807	\$787,153	\$105,092
Business-Type Activities:					
OWDA Loans:					
1989 Sewer Improvements Loan - 8.26%	\$341,520	\$0	\$75,500	\$266,020	\$81,736
1998 Sylvania Avenue Sewer Loan - 2.20%	268,257	0	29,032	239,225	29,675
2002 Sewer Digester Loan - 2.20%	617,179	0	45,470	571,709	46,476
2002 State Route 33 Sewer Improvements Loan - 2.00%	201,280	757	6,843	195,194	13,891
2007 Adams Street Sewer Improvements Loan - 2.00%	155,519	12,093	11,479	156,133	11,942
2002 Water Improvements Loan - 2.00%	189,897	0	12,384	177,513	12,633
2007 Adams Street Water Improvements Loan - 2.00%	151,844	11,835	11,730	151,949	11,686
2010 Water Treatment Plant Loan - 4.35%	0	698	0	698	0
Total OWDA Loans	1,925,496	25,383	192,438	1,758,441	208,039
OPWC Loans:					
2008 Adams Street Sewer Improvements Loan - 0%	107,050	15,072	5,813	116,309	6,072
2008 Adams Street Water Improvements Loan - 0%	104,832	14,749	5,689	113,892	5,946
Total OPWC Loans	211,882	29,821	11,502	230,201	12,018
Capital Leases	7,628	0	7,628	0	0
Compensated Absences	44,671	19,890	2,581	61,980	15,092
Total Business-Type Activities	\$2,189,677	\$75,094	\$214,149	\$2,050,622	\$235,149

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

The Aquatic Center bond anticipation note was issued on February 25, 2010, for \$375,000 and matures on February 24, 2011. 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 24, 2011, \$250,000 of the note was rolled into a new note that matures on February 23, 2012; \$125,000 was repaid. Therefore, \$125,000 of the note issue was shown in the short-term notes payable schedule in Note 18.

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

The 2008 OPWC Adams Street Improvement Loan, authorized in the amount of \$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, 2010, are as follows:

Year Ended December 31,	Principal
2011	\$8,204
2012	8,204
2013	8,204
2014	8,204
2015	8,204
2016-2020	41,013
2021-2025	41,013
2026-2030	34,086
	<u>\$157,132</u>

Principal and interest requirements to retire the Police and Fire Pension liability at December 31, 2010, are as follows:

Year Ended December 31,	Principal	Interest	Total
2011	\$1,718	\$3,038	\$4,756
2012	1,792	2,964	4,756
2013	1,869	2,887	4,756
2014	1,950	2,806	4,756
2015	2,034	2,722	4,756
2016-2020	11,553	12,227	23,780
2021-2025	14,258	9,520	23,778
2026-2030	17,596	6,184	23,780
2031-2035	19,120	2,074	21,194
	<u>\$71,890</u>	<u>\$44,422</u>	<u>\$116,312</u>

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

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

The 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, 2010, are as follows:

Year Ended December 31,	Principal	Interest	Total
2011	\$171,778	\$43,233	\$215,011
2012	180,494	34,517	215,011
2013	189,809	25,202	215,011
2014	96,063	15,238	111,301
2015	98,158	13,143	111,301
2016-2020	434,985	34,582	469,567
2021-2023	100,861	2,255	103,116
	<u>\$1,272,148</u>	<u>\$168,170</u>	<u>\$1,440,318</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 not been fully drawn down and no amortization schedule has been established.

The 2008 OPWC Adams Street Sewer Improvement Loan, authorized in the amount of \$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, 2010, are as follows:

Year Ended December 31,	Principal
2011	\$6,072
2012	6,072
2013	6,072
2014	6,072
2015	6,072
2016-2020	30,359
2021-2025	30,359
2026-2030	25,231
	<u>\$116,309</u>

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

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, 2010, are as follows:

Year Ended December 31,	Principal	Interest	Total
2011	\$12,633	\$3,487	\$16,120
2012	12,887	3,233	16,120
2013	13,146	2,974	16,120
2014	13,411	2,710	16,121
2015	13,680	2,440	16,120
2016-2020	72,637	7,996	80,633
2021-2023	39,119	1,183	40,302
	<u>\$177,513</u>	<u>\$24,023</u>	<u>\$201,536</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 not been fully drawn down and no amortization schedule has been established.

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 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, 2010, are as follows:

Year Ended December 31,	Principal
2011	\$5,946
2012	5,946
2013	5,946
2014	5,946
2015	5,946
2016-2020	29,728
2021-2025	29,728
2026-2030	24,706
	<u>\$113,892</u>

City of Nelsonville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2010

The City has pledged future sewer customer revenues to repay \$3,199,597 in sewer system OWDA and OPWC loans obtained in 1989, 1998, 2002, 2007, and 2008. The loans are payable solely from sewer customer net revenues and are payable through 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 59 percent of net revenues in future years. The total principal and interest remaining to be paid on the loans are \$1,712,760. Principal and interest payments for the current year were \$224,852, net revenues were \$381,275, and total revenues were \$1,038,453.

The City has pledged future water customer revenues to repay \$858,523 in water system OWDA and OPWC loans obtained in 2002, 2007, 2008, and 2010. The loans are payable solely from water customer net revenues and are payable through 2030. 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 \$468,075. Principal and interest payments for the current year were \$38,803, net revenues were \$266,819, and total revenues were \$1,122,240.

The City's overall legal debt margin was \$4,589,852 at December 31, 2010.

Note 20 - 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, 2010.

B. Litigation

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

Note 21 - Subsequent Events

On February 24, 2011, the City issued a \$250,000 bond anticipation note which will mature on February 23, 2012. This new note, in combination with a \$125,000 principal payment, retired the 2010 Aquatic Center bond anticipation note of \$375,000.

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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 27, 2011. 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 27, 2011.

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

June 27, 2011

CITY OF NELSONVILLE, ATHENS COUNTY
Schedule of Prior Audit Findings
For the Year Ended December 31, 2010

Description	Status	Comments
<i>Government Auditing Standards:</i>		
1. Noncompliance – Disbursements plus encumbrances exceeded approved appropriations.	Corrected	N/A

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Dave Yost • Auditor of State

CITY OF NELSONVILLE

ATHENS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 8, 2011**