



**CITY OF NELSONVILLE
ATHENS COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CITY OF NELSONVILLE
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REPORT OF INDEPENDENT ACCOUNTANTS

City of Nelsonville
Athens County
P.O. Box 370
Nelsonville, Ohio 45764-0370

To City Council:

We have audited the accompanying general-purpose financial statements of the City of Nelsonville, Athens County, Ohio, (the City) as of and for the year ended December 31, 1999. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Nelsonville, Athens County, as of December 31, 1999, and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

As more fully described in Note 3 to the general-purpose financial statements, certain changes in accounting policies and financial practices were made in order to present the aforementioned general-purpose financial statements in conformity with generally accepted accounting principles. Such changes were adopted effective January 1, 1999 and to implement those changes, adjustments were made to restate fund balances as of that date.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2000, 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.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

June 23, 2000

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City of Nelsonville, Ohio
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 1999

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<u>Assets and Other Debits:</u>			
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$721,300	\$514,727	\$519,898
Receivables:			
Taxes	271,321	300,369	55,454
Accounts	17	768	0
Intergovernmental	116,333	6,705	0
Due from Other Funds	28,328	115	0
Prepaid Items	4,577	250	0
Restricted Assets:			
Customer Deposits	0	0	0
Cash and Cash Equivalents with Fiscal Agents	0	0	0
Investments with Fiscal Agents	0	0	0
Construction in Progress	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0
 <u>Other Debit:</u>			
Amount to be Provided from General Government Resources	0	0	0
 Total Assets and Other Debits	 \$1,141,876	 \$822,934	 \$575,352

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$946,273	\$2,842	\$0	\$0	\$2,705,040
0	0	0	0	627,144
241,749	34,301	0	0	276,835
0	0	0	0	123,038
1,005	0	0	0	29,448
5,878	0	0	0	10,705
85,029	0	0	0	85,029
139	0	0	0	139
91,939	0	0	0	91,939
0	0	126,207	0	126,207
872,633	0	1,325,712	0	2,198,345
0	0	0	92,120	92,120
<u>\$2,244,645</u>	<u>\$37,143</u>	<u>\$1,451,919</u>	<u>\$92,120</u>	<u>\$6,365,989</u>

(continued)

City of Nelsonville, Ohio
Combined Balance Sheet
All Fund Types and Account Groups (Continued)
December 31, 1999

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<u>Liabilities, Fund Equity and Other Credits:</u>			
<u>Liabilities:</u>			
Accounts Payable	\$5,242	\$8,718	\$0
Contracts Payable	0	8,218	3,105
Accrued Wages and Benefits Payable	11,042	2,207	0
Compensated Absences Payable	1,138	154	0
Due to Other Funds	0	0	0
Intergovernmental Payable	35,316	2,674	0
Deferred Revenue	269,787	293,582	43,384
Due to Others	0	0	0
Accrued Interest Payable	0	0	0
OWDA Loans Payable	0	0	0
G.O. Bonds Payable	0	0	0
Capital Leases Payable	0	0	0
Revenue Bonds Payable	0	0	0
Payable from Restricted Assets:			
Customer Deposits	0	0	0
Revenue Bonds Payable	0	0	0
Accrued Interest Payable	0	0	0
	322,525	315,553	46,489
Total Liabilities			
<u>Fund Equity and Other Credits:</u>			
Investment in General Fixed Assets	0	0	0
Contributed Capital	0	0	0
Retained Earnings (Deficit)	0	0	0
Fund Balances:			
Reserved for Encumbrances	690	3,341	0
Unreserved, Undesignated	818,661	504,040	528,863
	819,351	507,381	528,863
Total Fund Equity (Deficit) and Other Credits			
Total Liabilities, Fund Equity and Other Credits	\$1,141,876	\$822,934	\$575,352

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$17,881	\$0	\$0	\$0	\$31,841
2,408	0	0	0	13,731
8,107	0	0	0	21,356
38,895	0	0	33,498	73,685
0	29,448	0	0	29,448
9,967	6,310	0	0	54,267
0	0	0	0	606,753
0	1,385	0	0	1,385
34,785	0	0	0	34,785
1,356,817	0	0	0	1,356,817
550,000	0	0	0	550,000
38,752	0	0	58,622	97,374
165,000	0	0	0	165,000
85,029	0	0	0	85,029
40,000	0	0	0	40,000
1,452	0	0	0	1,452
<u>2,349,093</u>	<u>37,143</u>	<u>0</u>	<u>92,120</u>	<u>3,162,923</u>
0	0	1,451,919	0	1,451,919
173,750	0	0	0	173,750
(278,198)	0	0	0	(278,198)
0	0	0	0	4,031
0	0	0	0	1,851,564
<u>(104,448)</u>	<u>0</u>	<u>1,451,919</u>	<u>0</u>	<u>3,203,066</u>
<u>\$2,244,645</u>	<u>\$37,143</u>	<u>\$1,451,919</u>	<u>\$92,120</u>	<u>\$6,365,989</u>

City of Nelsonville, Ohio
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Year Ended December 31, 1999

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<u>Revenues:</u>				
Property and Other Taxes	\$151,652	\$258,154	\$0	\$409,806
Municipal Income Taxes	690,040	138,079	295,730	1,123,849
Intergovernmental	374,144	128,075	0	502,219
Charges for Services	8,207	0	0	8,207
Fines, Licenses, and Permits	68,680	10,800	0	79,480
Interest	81,301	0	0	81,301
Donations	0	186,069	0	186,069
Other	13,507	263	0	13,770
Total Revenues	1,387,531	721,440	295,730	2,404,701
<u>Expenditures:</u>				
Current:				
Security of Persons and Property	904,241	6,354	0	910,595
Public Health Services	5,017	0	0	5,017
Leisure Time Activities	0	25,302	0	25,302
Community Environment	0	56,396	0	56,396
Transportation	0	368,187	0	368,187
General Government	321,845	0	0	321,845
Capital Outlay	0	0	261,580	261,580
Debt Service:				
Principal Retirement	17,835	0	0	17,835
Interest and Fiscal Charges	3,045	0	0	3,045
Total Expenditures	1,251,983	456,239	261,580	1,969,802
Excess of Revenues Over Expenditures	135,548	265,201	34,150	434,899
<u>Other Financing Sources (Uses):</u>				
Inception of Capital Lease	14,700	19,376	0	34,076
Operating Transfers In	0	51,111	0	51,111
Operating Transfers Out	(51,111)	0	0	(51,111)
Total Other Financing Sources (Uses)	(36,411)	70,487	0	34,076
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	99,137	335,688	34,150	468,975
Fund Balances at Beginning of Year (Restated Note 3)	720,214	171,693	494,713	1,386,620
Fund Balances at End of Year	\$819,351	\$507,381	\$528,863	\$1,855,595

See accompanying notes to the general purpose financial statements

City of Nelsonville, Ohio
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types
 For the Year Ended December 31, 1999

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<u>Revenues:</u>			
Property and Other Taxes	\$134,975	\$151,652	\$16,677
Municipal Income Taxes	1,652,000	703,764	(948,236)
Intergovernmental	238,622	284,309	45,687
Charges for Services	5,437	8,111	2,674
Fines, Licenses, and Permits	78,428	70,299	(8,129)
Interest	117,585	81,301	(36,284)
Donations	0	0	0
Other	16,903	15,439	(1,464)
Total Revenues	<u>2,243,950</u>	<u>1,314,875</u>	<u>(929,075)</u>
<u>Expenditures:</u>			
Current:			
Security of Persons and Property	954,385	951,055	3,330
Public Health Services	5,035	5,017	18
Leisure Time Activities	0	0	0
Community Environment	0	0	0
Transportation	0	0	0
General Government	1,177,096	332,610	844,486
Other	0	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Total Expenditures	<u>2,136,516</u>	<u>1,288,682</u>	<u>847,834</u>
Excess of Revenues Over (Under) Expenditures	<u>107,434</u>	<u>26,193</u>	<u>(81,241)</u>
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	0	0	0
Operating Transfers Out	0	(51,111)	(51,111)
Total Other Financing Sources (Uses)	<u>0</u>	<u>(51,111)</u>	<u>(51,111)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	107,434	(24,918)	(132,352)
Fund Balances at Beginning of Year	734,997	734,997	0
Prior Year Encumbrances Appropriated	8,671	8,671	0
Fund Balances at End of Year	<u><u>\$851,102</u></u>	<u><u>\$718,750</u></u>	<u><u>(\$132,352)</u></u>

See accompanying notes to the general purpose financial statements

(continued)

City of Nelsonville, Ohio
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types
 For the Year Ended December 31, 1999

	<u>Special Revenue Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenues:</u>			
Property and Other Taxes	\$251,687	\$258,154	\$6,467
Municipal Income Taxes	160,000	131,292	(28,708)
Intergovernmental	161,113	133,081	(28,032)
Charges for Services	300	0	(300)
Fines, Licenses, and Permits	0	4,940	4,940
Interest	0	0	0
Donations	215,500	186,069	(29,431)
Other	1,600	266	(1,334)
Total Revenues	<u>790,200</u>	<u>713,802</u>	<u>(76,398)</u>
<u>Expenditures:</u>			
Current:			
Security of Persons and Property	11,000	6,354	4,646
Public Health Services	0	0	0
Leisure Time Activities	26,200	25,563	637
Community Environment	146,876	50,624	96,252
Transportation	385,858	367,071	18,787
General Government	0	0	0
Other	0	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Total Expenditures	<u>569,934</u>	<u>449,612</u>	<u>120,322</u>
Excess of Revenues Over (Under) Expenditures	<u>220,266</u>	<u>264,190</u>	<u>43,924</u>
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	25,000	51,111	26,111
Operating Transfers Out	0	0	0
Total Other Financing Sources (Uses)	<u>25,000</u>	<u>51,111</u>	<u>26,111</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	245,266	315,301	70,035
Fund Balances at Beginning of Year	183,242	183,242	0
Prior Year Encumbrances Appropriated	10,664	10,664	0
Fund Balances at End of Year	<u>\$439,172</u>	<u>\$509,207</u>	<u>\$70,035</u>

(continued)

Capital Projects Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$386,662	\$409,806	\$23,144
768,000	301,613	(466,387)	2,580,000	1,136,669	(1,443,331)
0	0	0	399,735	417,390	17,655
0	0	0	5,737	8,111	2,374
0	0	0	78,428	75,239	(3,189)
0	0	0	117,585	81,301	(36,284)
0	0	0	215,500	186,069	(29,431)
0	0	0	18,503	15,705	(2,798)
<u>768,000</u>	<u>301,613</u>	<u>(466,387)</u>	<u>3,802,150</u>	<u>2,330,290</u>	<u>(1,471,860)</u>
0	0	0	965,385	957,409	7,976
0	0	0	5,035	5,017	18
0	0	0	26,200	25,563	637
0	0	0	146,876	50,624	96,252
0	0	0	385,858	367,071	18,787
0	0	0	1,177,096	332,610	844,486
360,000	0	360,000	360,000	0	360,000
605,000	258,475	346,525	605,000	258,475	346,525
<u>50,000</u>	<u>0</u>	<u>50,000</u>	<u>50,000</u>	<u>0</u>	<u>50,000</u>
<u>1,015,000</u>	<u>258,475</u>	<u>756,525</u>	<u>3,721,450</u>	<u>1,996,769</u>	<u>1,724,681</u>
<u>(247,000)</u>	<u>43,138</u>	<u>290,138</u>	<u>80,700</u>	<u>333,521</u>	<u>252,821</u>
0	0	0	25,000	51,111	26,111
0	0	0	0	(51,111)	(51,111)
0	0	0	25,000	0	(25,000)
(247,000)	43,138	290,138	105,700	333,521	227,821
476,760	476,760	0	1,394,999	1,394,999	0
0	0	0	19,335	19,335	0
<u>\$229,760</u>	<u>\$519,898</u>	<u>\$290,138</u>	<u>\$1,520,034</u>	<u>\$1,747,855</u>	<u>\$227,821</u>

City of Nelsonville, Ohio
 Combined Statement of Revenues,
 Expenses and Changes in Retained Earnings
 Proprietary Fund Type
 For the Year Ended December 31, 1999

	<u>Enterprise</u>
<u>Revenues:</u>	
Charges for Services	\$1,553,467
Fines, Licenses, and Permits	<u>40,805</u>
Total Revenues	<u>1,594,272</u>
<u>Expenses:</u>	
Salaries and Wages	460,571
Fringe Benefits	186,883
Contractual Services	209,058
Materials and Supplies	318,553
Depreciation	<u>85,906</u>
Total Expenses	<u>1,260,971</u>
Operating Income	<u>333,301</u>
<u>Non-Operating Revenues (Expenses):</u>	
Gain on Disposal of Fixed Assets	5,668
Interest Income	16
Interest and Fiscal Charges	<u>(142,082)</u>
Total Non-Operating Revenues (Expenses)	<u>(136,398)</u>
Net Income	196,903
Retained Earnings (Deficit) at Beginning of Year (Restated Note 3)	<u>(475,101)</u>
Retained Earnings (Deficit) at End of Year	<u><u>(\$278,198)</u></u>

See accompanying notes to the general purpose financial statements

City of Nelsonville, Ohio
 Combined Statement of Revenues, Expenses and Changes in
 Fund Equity - Budget and Actual (Budget Basis)
 Proprietary Fund Type
 For the Year Ended December 31, 1999

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Charges for Services	\$1,495,500	\$1,552,329	\$56,829
Tap-In Fees	9,000	12,700	3,700
Fines, Licences, and Permits	37,500	40,094	2,594
Proceeds from Sale of Fixed Assets	0	5,668	5,668
Customer Deposits Received	17,500	13,265	(4,235)
Total Revenues	1,559,500	1,624,056	64,556
<u>Expenses:</u>			
Current:			
Salaries and Wages	463,221	462,542	679
Fringe Benefits	197,534	197,278	256
Contractual Services	245,923	245,580	343
Materials and Supplies	441,418	332,903	108,515
Customer Deposits Returned	13,000	11,055	1,945
Capital Outlay	9,052	14,369	(5,317)
Debt Service:			
Principal Retirement	138,564	138,564	0
Interest and Fiscal Charges	144,312	144,312	0
Total Expenses	1,653,024	1,546,603	106,421
Excess of Revenues Over (Under) Expenses	(93,524)	77,453	170,977
Fund Equity at Beginning of Year	896,703	896,703	0
Prior Year Encumbrances Appropriated	20,785	20,785	0
Fund Equity at End of Year	\$823,964	\$994,941	\$170,977

See accompanying notes to the general purpose financial statements

City of Nelsonville, Ohio
 Combined Statement of Cash Flows
 Proprietary Fund Type
 For the Year Ended December 31, 1999

	<u>Enterprise</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$1,599,430
Cash Payments for Employee Services and Benefits	(659,820)
Cash Payments for Goods and Services	(549,129)
Customer Deposits Received	13,265
Customer Deposits Returned	<u>(11,055)</u>
Net Cash Provided by Operating Activities	<u>392,691</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition of Capital Assets	(14,369)
Proceeds from Sale of Capital Assets	5,668
Principal Paid on Debt	(131,218)
Interest Paid on Debt	(153,631)
Contributed Capital	<u>12,700</u>
Net Cash Used for Capital and Related Financing Activities	<u>(280,850)</u>
<u>Cash Flows from Investing Activities:</u>	
Interest on Investments	<u>16</u>
Net Cash Provided by Investing Activities	<u>16</u>
Net Increase in Cash and Cash Equivalents	111,857
Cash and Cash Equivalents at Beginning of Year	<u>919,584</u>
Cash and Cash Equivalents at End of Year	<u><u>\$1,031,441</u></u>
See accompanying notes to the general purpose financial statements	(continued)

City of Nelsonville, Ohio
 Combined Statement of Cash Flows
 Proprietary Fund Type (Continued)
 For the Year Ended December 31, 1999

	<u>Enterprise</u>
Reconciliation of Operating Income to <u>Net Cash Provided by Operating Activities:</u>	
Operating Income	\$333,301
Depreciation Expense	85,906
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	(2,850)
Increase in Prepaids Items	(4,344)
Increase in Due from Other Funds	(711)
Decrease in Accounts Payable	(4,552)
Decrease in Contracts Payable	(3,420)
Decrease in Accrued Wages and Benefits Payable	(8,807)
Increase in Compensated Absences Payable	6,836
Increase in Customer Deposits	2,210
Decrease in Intergovernmental Payable	(10,878)
	<u> </u>
Net Cash Provided by Operating Activities	<u><u>\$392,691</u></u>

City of Nelsonville, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended December 31, 1999

NOTE 1 - REPORTING ENTITY

The City of Nelsonville (the "City") is a body politic, incorporated and 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.

The financial reporting entity consists of the primary government, component units, and other governmental organizations included to ensure that the financial statements of the City are not misleading. 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 on 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 provides various services including police and fire protection, emergency medical, recreation (including parks), planning, zoning, street maintenance and repair, water and water pollution control, and general administrative services. The operation of each of these activities is directly controlled by the Council through the budgetary process. These City operations form the legal entity of the City and are included as the primary government.

The following have been excluded from the financial reporting entity:

Nelsonville City School District
Doctor's Hospital of Nelsonville
The Nelsonville Area Chamber of Commerce
911 Technical Advisory Committee
Athens County Emergency Planning Committee

The City is associated with a jointly governed organization and an insurance purchasing pool. These organizations are presented in Note 20 and Note 21 to the General Purpose Financial Statements. The organizations are:

Athens County Regional Planning Commission
Ohio Rural Water Association Workers' Compensation Group Rating Plan

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources. The City applies Financial Accounting Standards Board statements and interpretations issued prior to November 30, 1989, to proprietary activities provided they do not conflict with Governmental Accounting Standards Board statements and interpretations.

City of Nelsonville, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended December 31, 1999

A. Basis of Presentation - Fund Accounting

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The following are the City's governmental fund types:

General Fund This fund is the operating fund of the City and is used to account 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.

Special Revenue Funds These funds are established to account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted to expenditure for specified purposes.

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

Proprietary Fund Type Proprietary funds are used to account for the City's ongoing activities which are similar to those found in the private sector. The following is the City's proprietary fund type:

Enterprise Funds These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Types Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City's only fiduciary fund is an agency fund. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Account Groups To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are typically used:

General Fixed Asset Account Group To account for all general fixed assets of the City other than those accounted for in proprietary funds.

General Long-Term Obligations Account Group To account for all unmatured long-term indebtedness of the City that is not a specific liability of proprietary funds.

City of Nelsonville, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended December 31, 1999

B. Measurement Focus and Basis of Accounting

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is typically segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

All governmental fund types and agency funds are accounted for using the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year. The available period for the City is thirty days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, state-levied locally shared taxes (including gasoline tax), fines and forfeitures, and income tax (the employer withheld amounts measurable at December 31, 1999).

The City reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Current and delinquent property taxes and municipal income taxes measurable as of December 31, 1999, whose availability is indeterminate and which are not intended to finance current period obligations have been recorded as receivables and deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term obligations are recorded as fund liabilities when due, and the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. Revenues are recognized when they are earned and become measurable and expenses are recognized when they are incurred, if measurable. Unbilled service charges receivable are recognized as revenue at year end.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the City Council.

City of Nelsonville, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended December 31, 1999

Tax Budget During the first Council meeting in July, the City Manager presents the annual operating budget for the following year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20, of each year, for the period January 1 to December 31 of the following year.

Estimated Resources The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if revenue fluctuations are anticipated. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 1999.

Appropriations A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. Fund appropriations may be modified during the year only by an ordinance of Council. The City Manager and City Auditor have the authority to change the allocation within the funds, as necessary. During the year, several supplemental appropriation measures were passed. None of these supplemental appropriations had any significant effect on the original appropriations. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Encumbrances As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds and are reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding year and is not reappropriated.

D. Cash and Cash Equivalents

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

During 1999, investments were limited to money market mutual funds, which are reported at fair value based on the funds' current share price, and STAR Ohio.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 1999.

City of Nelsonville, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended December 31, 1999

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the General Fund during 1999 amounted to \$81,301, which includes \$58,055 assigned from other City funds.

The City utilizes a trustee bank to service its mortgage revenue bonds as principal and interest payments come due. The balances in these accounts are presented on the Combined Balance Sheet as Restricted Assets: "Cash and Cash Equivalents with Fiscal Agents" and "Investments with Fiscal Agents". Amounts invested by the trustee bank for the Sewer Enterprise Fund are limited to open-end mutual funds and are reported at fair value, which is based on the funds' current share prices.

For purposes of the Combined Statement of Cash Flows and for presentation on the Combined Balance Sheet, investments of the cash management pool and investments with an original maturity of three months or less are considered to be cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 1999, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

F. Restricted Assets

Restricted assets in the enterprise funds represent customer deposits and funds restricted as part of the bond indenture for debt service and the purchase of equipment.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group. Fund fixed assets (assets used to provide the services accounted for in the enterprise funds) are reported in the respective funds. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost when no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The City maintains a capitalization threshold of five hundred dollars.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of fund fixed assets.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized, as these assets are immovable and of value only to the City.

Assets in the General Fixed Assets Account Group are not depreciated. Depreciation in the proprietary fund type is computed using the straight-line method over the following useful lives:

Land and Improvements	15 - 50 years
Buildings and Improvements	40 - 50 years
Furniture and Fixtures	10 - 15 years
Equipment	10 - 15 years
Vehicles	3 - 5 years

H. Interfund Assets and Liabilities

Amounts owed to a particular fund by another fund in the same government for goods or services rendered are classified as "Due from Other Funds/Due to Other Funds."

City of Nelsonville, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended December 31, 1999

I. Compensated Absences

GASB Statement 16, "Accounting for Compensated Absences", specifies the methods used to accrue liabilities for leave benefits. Vacation benefits are accrued 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. 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 vacation time when earned for all employees exceeding their probation period. The City records a liability for accumulated, unused sick leave for all City employees with at least fifteen years of service. For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the General Long-Term Obligations Account Group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J. Contributed Capital

Contributed capital represents tap-in fees and donated water and sewer lines from private sources provided to the City's proprietary funds which are not subject to repayment.

Because the City had not prepared financial statements in accordance with Generally Accepted Accounting Principles prior to 1999, the exact amount of contributed capital pertaining to prior years cannot be determined. Consequently, only those amounts that have been able to be identified specifically have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to the proprietary fund have been classified as retained earnings.

K. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, shared revenues, and entitlements, are recorded as receivables and revenues when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants, entitlements, or shared revenues received for proprietary fund operating purposes are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

L. Fund Balance Reserves

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Fund balances are reserved for encumbrances.

M. Interfund Transactions

During the course of normal operations the City had numerous transactions between funds. The most significant include operating transfers and reimbursements.

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another fund are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.

City of Nelsonville, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended December 31, 1999

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current expendable available financial resources. Payments made more than thirty days after year end are generally considered not to have been paid with current available financial resources.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

O. Estimates

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

P. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - RESTATEMENT OF PRIOR YEAR BALANCES

For 1999, the City has presented for the first time, financial statements in accordance with generally accepted accounting principles. The following reflects the adjustments made to restate beginning year fund balance/retained earnings:

	Balance at 12/31/98	Adjustments	Balance at 1/1/99
	<hr/>	<hr/>	<hr/>
General	\$743,668	(\$23,454)	\$720,214
Special Revenue	193,905	(22,212)	171,693
Capital Projects	476,760	17,953	494,713
Enterprise	834,669	(1,309,770)	(475,101)
Agency	4,030	(4,030)	0

City of Nelsonville, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended December 31, 1999

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

Fund Deficit

The Sewer Enterprise Fund had a deficit retained earnings of \$725,679 at year end. Management is reviewing and analyzing the sewer operations to determine appropriate measures necessary to eliminate this deficit.

Statutory Compliance

The following funds had appropriations in excess of estimated resources plus available balances for the year ended December 31, 1999:

	Resources	Appropriations	Excess
Special Revenue Funds:			
Federal Emergency Management Agency	40,000	45,000	5,000

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity- Budget and Actual (Budget Basis) - Proprietary Fund Type is presented on the budgetary basis to provide a comparison of actual results with the budget and to demonstrate compliance with State statute. The major differences between the budget basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Outstanding year end encumbrances are treated as expenditures/expenses (budget) rather than as a reservation of fund balance for governmental fund types and as note disclosure for the proprietary fund type (GAAP).
4. Proceeds from and principal payment on short-term note obligations are reported on the operating statement (budget) rather than on the balance sheet (GAAP).
5. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget) rather than as balance sheet transactions (GAAP).
6. Unreported Cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.

City of Nelsonville, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended December 31, 1999

Adjustments necessary to convert the results of operations at the end of the year on the Budget Basis to the GAAP basis are as follows:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types			
	General	Special Revenue	Capital Projects
GAAP Basis	\$99,137	\$335,688	\$34,150
Revenue Accruals	(87,752)	(27,014)	5,883
Expenditure Accruals	(39,122)	11,897	3,105
Prepaid Items	4,577	250	0
Unreported Items	396	0	0
Encumbrances	(2,154)	(5,520)	0
Budget Basis	<u>(\$24,918)</u>	<u>\$315,301</u>	<u>\$43,138</u>

Net Income/Excess of Revenues and Operating Transfers Over Expenses Proprietary Fund Type	
	Enterprise
GAAP Basis	<u>\$196,903</u>
Revenue Accruals	29,793
Expense Accruals	(53,047)
Contributed Capital	(12,700)
Prepays	5,878
Capital Outlay	(14,369)
Principal Retirement	(138,564)
Unreported Items	7,007
Depreciation Expense	85,906
Encumbrances	(29,354)
Budget Basis	<u>\$77,453</u>

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that Council has identified as not required for use within the current two 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.

City of Nelsonville, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended December 31, 1999

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 pass book 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 treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United State Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any 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 provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAR Ohio).

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 not 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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt 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. Payment 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 receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

City of Nelsonville, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended December 31, 1999

Deposits At year end, the carrying amount of the City's deposits was \$1,550,812 and the bank balance was \$1,627,057. Of the bank balance:

1. \$216,488 was covered by federal depository insurance; and
2. \$1,410,569 was uninsured and uncollateralized. Although all state 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.

Investments The City's investments are required to be categorized to give an indication of the level of risk assumed by the City at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. Investments in STAR Ohio, mutual funds, and money market accounts are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Carrying and Fair Value
STAR Ohio	\$1,239,096
Money Market Mutual Funds	91,939
	\$1,331,035

The classification of "Cash and Cash Equivalents" and "Investments" on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents Deposits	Investments
GASB Statement 9	\$2,790,208	\$91,939
STAR Ohio	(1,239,096)	1,239,096
Petty Cash	(300)	0
GASB Statement 3	\$1,550,812	\$1,331,035

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property, and tangible personal property located in the City. Property tax revenue received during 1999 for real and public utility property taxes represents collections of 1998 taxes. Property tax payments received during 1999 for tangible personal property (other than public utility property) is for 1999 taxes.

1999 taxes collected from real property taxes (other than public utility) are levied after October 1, 1999 on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State Law at 35 percent of appraised market value. 1999 real property taxes are intended to finance 2000. All property is required to be revalued every six years. The last revaluation was completed in 1999. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, state statute permits later payment dates to be established.

City of Nelsonville, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended December 31, 1999

1999 taxes collected on tangible personal property (other than public utility) are levied after October 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are 25 percent of true value. 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 by September 20.

1999 public utility real and tangible personal property taxes become a lien December 31, 1998, are levied after October 1, 1999, and are collected in 2000 with real property taxes. Public utility tangible personal property currently is at various percentages of true value; public utility real property is assessed at 35 percent of true value.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Nelsonville. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represent real and tangible personal property taxes, public utility taxes, and outstanding delinquencies which are measurable as of December 31, 1999. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 1999 operations. The receivable is offset by deferred revenue.

The full tax rate for all City operations for the year ended December 31, 1999 was \$10.80 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 1999 property tax receipts were based are as follows:

Real Property	\$30,265,870
Public Utility Tangible Personal Property	3,086,690
Tangible Personal Property	<u>12,515,890</u>
 Total Assessed Value	 <u><u>\$45,868,450</u></u>

NOTE 8 - RECEIVABLES

Receivables at December 31, 1999, consisted of taxes, accounts (billings for user charged services including unbilled utility services and outstanding court costs), and intergovernmental receivables arising from entitlements, and shared revenues. All receivables are considered fully collectible.

A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
General Fund:	
Estate Tax	\$88,660
Local Government	16,274
Motor Vehicle License Tax	1,923
Bureau of Workers' Compensation Refund	9,076
Miscellaneous	400
Total General Fund	<u>116,333</u>
Special Revenue Funds:	
Gasoline Tax	3,995
Excise Tax	2,027
Motor Vehicle License Tax	683
Total Special Revenue Funds	<u>6,705</u>
Total Intergovernmental Receivables	<u><u>\$123,038</u></u>

City of Nelsonville, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended December 31, 1999

NOTE 9 - INCOME TAX

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.

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 distributed to funds in the following manner: 60% to the General Fund, 26% to the Capital Improvement Capital Projects Fund, and 14% to the Parks/Recreation/Pool Special Revenue Fund.

NOTE 10 - FIXED ASSETS AND DEPRECIATION

A summary of the enterprise funds' property, plant, and equipment at December 31, 1999, follows:

Asset Category	Water	Sewer	Total
Land and Improvements	\$24,322	\$81,525	\$105,847
Buildings and Improvements	726,206	421,261	1,147,467
Furniture and Fixtures	3,143	0	3,143
Vehicles	55,200	55,200	110,400
Equipment	584,991	919,558	1,504,549
Totals	1,393,862	1,477,544	2,871,406
Less: Accumulated Depreciation	(1,037,553)	(961,220)	(1,998,773)
Totals	<u>\$356,309</u>	<u>\$516,324</u>	<u>\$872,633</u>

A summary of the changes in general fixed assets during 1999 follows:

Asset Category	Balance at 12/31/98	Additions	Deletions	Balance at 12/31/99
Land and Improvements	\$95,286	\$0	\$0	\$95,286
Buildings and Improvements	190,263	0	0	190,263
Furniture and Fixtures	25,323	0	0	25,323
Vehicles	353,883	52,131	0	406,014
Equipment	514,197	94,629	0	608,826
Construction in Progress	0	126,207	0	126,207
Totals	<u>\$1,178,952</u>	<u>\$272,967</u>	<u>\$0</u>	<u>\$1,451,919</u>

NOTE 11 - RISK MANAGEMENT

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 Municipal InsuranceAlliance, through the McFadden Insurance Services Company, with a blanket insurance policy with the following coverage limits and deductibles:

City of Nelsonville, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended December 31, 1999

Property	Deductible	Limits of Coverage
Real Property	\$1,000	\$2,677,057
General Liability:		
Per Occurrence	1,000	5,000,000
Annual Aggregate	1,000	7,000,000
Inland Marine	500	225,970
Wrongful Acts Liability:		
Per Occurrence	1,000	5,000,000
Annual Aggregate	1,000	6,000,000
Vehicles:		
Comprehensive	100	5,000,000
Collision	250	5,000,000
Employee Dishonesty	250	25,000
Police Professional:		
Per Occurrence	1,000	5,000,000
Annual Aggregate	1,000	6,000,000

The City Manager reviews all claims. Settlements have not exceeded coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

For 1999, the City participated in the Ohio Rural Water Association Workers' Compensation Group Rating Plan (Plan), and insurance purchasing pool (see Note 21). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The worker's compensation experience of the participating entities is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. The savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Each year the City pays an enrollment fee to the Plan to cover the costs of administering the program.

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

City of Nelsonville, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended December 31, 1999

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

All City full-time employees, other than non-administrative full-time uniformed police officers and firemen, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the City is required to contribute 9.35 percent. Contributions are authorized by State statute. The City's required contributions to PERS for the years ended December 31, 1999, 1998, and 1997, were \$71,320, \$69,843, and \$56,045, respectively. The full amount has been contributed for 1998 and 1997. 89 percent has been contributed for 1999 with the remainder being reported as a fund liability.

B. Police and Firemen's Disability and Pension Fund

The City contributes to the Police and Firemen's Disability and Pension Fund of Ohio (PFDPF), a cost-sharing multiple employer public employee retirement system administered by PFDPF's Board of Trustees. PFDPF provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provision are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. PFDPF issues a publicly available financial report that includes financial information and required supplementary information. That report may be obtained by writing to the Police and Firemen's Disability and Pension Fund of Ohio, 140 East Town Street, Columbus, Ohio 43215.

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 12.5 percent for police and 17 percent for firefighters. Contributions are authorized by State statute. The City's contributions to PFDPF for police and firefighters were \$32,336 and \$26,814 for the year ended December 31, 1999, \$41,442 and \$31,076 for 1998, and \$31,418 and \$22,010 for 1997. The full amount has been contributed for 1998 and 1997. 68.96 percent and 73.20 percent, respectively, have been contributed for 1999 with the remainder being reported as a fund liability.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 1999 employer contribution rate was 13.55 percent of covered payroll; 4.2 percent was the portion that was used to fund health care.

Benefits are funded on a pay-as-you-go basis. OPEB are financed through employer contributions and investment earnings. The contributions allocated to retiree health care and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely. During 1999, OPEB expenditures made by PERS were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. At December 31, 1999, the total number of benefit recipients eligible for OPEB through PERS was 118,062. The City's actual contributions for 1999 which were used to fund OPEB were \$32,037.

City of Nelsonville, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended December 31, 1999

During 1997, PERS adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2 percent of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health coverage.

B. Police and Firemen's Disability and Pension Fund

The Police and Firemen's Disability and Pension Fund (PFDPF) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Police and Firemen's Disability and Pension Fund's board of trustees to provide health care coverage and states that health care cost paid from the Police and Firemen's Disability and Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7 percent of covered payroll is applied to the postemployment health care program. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 1999 that were used to fund postemployment benefits were \$18,108 for police and \$11,041 for fire. PFDPF's total health care expenses for the year ended December 31, 1998, (the latest information available) were \$78,596,790. The number of PFDPF participants eligible to receive health care benefits as of December 31, 1998, was 11,424 for police and 9,186 for firefighters.

NOTE 14 - OTHER EMPLOYEE BENEFITS

A. Insurance

The City provides \$100,000 in life insurance and accidental death and dismemberment insurance to all of its full-time employees through Medical Life.

The City provides comprehensive major medical insurance through Medical Mutual of Ohio. Premiums are \$201.93 for single coverage and \$581.13 for family coverage. Vision insurance is provided through the Vision Service Plan, Inc. The premiums are \$10.51 for single coverage and \$28.77 for family coverage. Dental insurance is provided through the Guardian Insurance Plans. The premiums are \$19.42 for single coverage and \$72.21 for family coverage. The City pays 100% of the premiums for both single and family plans for all insurance offered.

B. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Employees earn five to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to employees upon termination of employment. Employees earn sick leave at the rate of 4.6 hours per pay period. There is no limit to the amount of sick leave that may be accumulated. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum of 60 days.

City of Nelsonville, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended December 31, 1999

NOTE 15 CAPITAL LEASES - LESSEE DISCLOSURE

During 1999, the City entered into four new capital leases. In prior years, the City had entered into three capital leases.

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

The assets acquired through capital leases are as follows:

	GFAAG	Enterprise Funds
Machinery and Equipment	\$36,910	\$44,420
Less: Accumulated Depreciation	0	(1,480)
Total	\$36,910	\$42,940

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 1999.

Year Ending December 31,	Governmental Obligations	Enterprise Obligations	Total
2000	\$25,738	\$7,819	\$33,557
2001	21,046	7,819	28,865
2002	9,336	7,819	17,155
2003	3,910	7,819	11,729
2004	3,910	7,819	11,729
2005	3,909	7,819	11,728
Total minimum lease payments	67,849	46,914	114,763
Less: amount representing Interest	(9,227)	(8,162)	(17,389)
Present value of minimum lease	\$58,622	\$38,752	\$97,374

City of Nelsonville, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended December 31, 1999

NOTE 16 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City for the year ended December 31, 1999, were as follows:

	Principal Outstanding 12/31/98	Additions	Deductions	Principal Outstanding 12/31/99
Enterprise Funds' Obligations:				
OWDA Sylvania Sewer Project - 2.20%	\$546,601	\$0	\$32,029	\$514,572
OWDA Sewer Improvements Project - 8.26%	873,780	0	31,535	842,245
General Obligation Bonds:				
Water System 6.70 - 7.50%	585,000	0	35,000	550,000
Mortgage Revenue Bonds:				
Sewer System 8.50%	245,000	0	40,000	205,000
Capital Lease	0	38,752	0	38,752
Total Enterprise Funds' Long-Term Obligations	2,250,381	38,752	138,564	2,150,569
General Long-Term Obligations:				
Capital Leases	42,381	34,076	17,835	58,622
Compensated Absences	30,856	41,269	38,627	33,498
Total General Long-Term Obligations	73,237	75,345	56,462	92,120
Total Long-Term Obligations	\$2,323,618	\$114,097	\$195,026	\$2,242,689

The OWDA Sylvania Sewer Project, as well as the OWDA Sewer Improvements Project, was used to help finance the water treatment plant expansion and improvements. The loan activity was reflected in the sewer enterprise fund which received the proceeds and which will repay the debt.

The water system general obligation bonds, the sewer system mortgage revenue bonds, and the water/sewer capital leases will be paid from revenue derived from charges for services in the enterprise funds. Compensated absences reported in the "compensated absences payable" account will be paid from the fund which the employees' salaries are paid. Capital leases reported in the General Long-Term Obligations Account Group will be paid from the General Fund and the Street Levy Special Revenue Fund.

Principal and interest requirements to retire bonds outstanding at December 31, 1999, are as follows:

Fiscal Year Ended December 31,	G.O. Bonds Principal	G.O. Bonds Interest	Revenue Bonds Principal	Revenue Bonds Interest	Total
2000	\$40,000	\$40,927	\$40,000	\$17,425	\$138,352
2001	40,000	38,028	45,000	14,025	137,053
2002	45,000	35,107	50,000	10,200	140,307
2003	50,000	31,800	55,000	5,950	142,750
2004	50,000	28,100	15,000	1,275	94,375
2005 - 2009	325,000	76,875	0	0	401,875
	\$550,000	\$250,837	\$205,000	\$48,875	\$1,054,712

City of Nelsonville, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended December 31, 1999

Principal and interest requirements to retire the OWDA Loan liabilities at December 31, 1999, are as follows:

Fiscal Year Ended December 31,	Principal	Interest	Total
2000	\$45,868	\$75,230	\$121,098
2001	60,803	77,682	138,485
2002	64,384	74,101	138,485
2003	68,228	70,257	138,485
2004	72,357	66,128	138,485
2005 - 2009	435,400	257,025	692,425
2010 - 2014	493,247	95,467	588,714
2015 - 2018	116,530	5,183	121,713
	<u>\$1,356,817</u>	<u>\$721,073</u>	<u>\$2,077,890</u>

As of December 31, 1999, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$4,816,187.

NOTE 17 - INTERFUND TRANSACTIONS

Due from Other Funds and Due to Other Funds at December 31, 1999, consisted of the following:

	Due from Other Funds	Due to Other Funds
General Fund	\$28,328	\$0
Mayor's Court Computer Special Revenue Fund	115	0
Parking Meter Enterprise Fund	1,005	0
Mayor's Court Agency Fund	0	29,448
Total	<u>\$29,448</u>	<u>\$29,448</u>

City of Nelsonville, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended December 31, 1999

NOTE 18 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City's enterprise funds account for the provision of sewer, water, and parking services. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the City of Nelsonville as of and for the year ended December 31, 1999:

	Water	Sewer	Parking Meter	Total
Operating Revenues	\$913,869	\$639,598	\$40,805	\$1,594,272
Depreciation	42,494	43,412	0	85,906
Operating Income	134,422	191,274	7,605	333,301
Net Non-Operating Revenue (Expenses)	(40,598)	(95,800)	0	(136,398)
Net Income	93,824	95,474	7,605	196,903
Disposals of Fixed Assets	5,417	5,417	0	10,834
Additions to Fixed Assets	24,939	29,883	0	54,822
Current Capital Contributions	11,760	940	0	12,700
Net Working Capital	764,595	293,670	13,507	1,071,772
Total Assets	1,237,036	993,648	13,961	2,244,645
Long-Term Obligations to be Paid from Fund Revenues	569,376	1,495,325	0	2,064,701
Total Equity	572,636	(690,339)	13,255	(104,448)
Encumbrances Outstanding at December 31, 1999	16,707	12,647	0	29,354

NOTE 19 - CONTRIBUTED CAPITAL

Changes in contributed capital for the year ended December 31, 1999:

	Water	Sewer	Total
Contributed Capital at December 31, 1998	\$0	\$0	\$0
Current Contribution:			
Donated Water and Sewer Lines	88,880	30,410	119,290
Tap-In Fees	49,530	4,930	54,460
Totals	<u>\$138,410</u>	<u>\$35,340</u>	<u>\$173,750</u>

City of Nelsonville, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended December 31, 1999

NOTE 20 - JOINTLY GOVERNED ORGANIZATION

The Athens County Regional Planning Commission was formed to influence favorably the future economic, physical, and social development of Athens County. Membership is comprised 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 Commissioners. The Commission is not dependent upon the City of Nelsonville for its continued existence. In 1999, the City made no contributions to the Commission.

NOTE 21 - PUBLIC ENTITY SHARED RISK POOL

The City is participating in a group rating plan for worker's compensation as established under Section 4123.29 of the Ohio Revised Code. Comp Management, Inc. was established through the Ohio Rural Water Association, a non-profit membership organization, as a group purchasing pool.

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

NOTE 22 - CONTINGENCIES

A. Grants

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 1999.

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 23 - SUBSEQUENT EVENTS

On March 29, 2000, the City issued revenue anticipation notes in the amount of \$2,155,000 to finance the purchase of a new City Hall and the construction of the Nelsonville Aquatic Center. The interest rate for the note is 5.75% and the maturity date is March 29, 2001.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

City of Nelsonville
Athens County
P.O. Box 370
Nelsonville, Ohio 45764-0370

To the Board President and Members of Council:

We have audited the accompanying general-purpose financial statements of the City of Nelsonville, Athens County, Ohio, (the City) as of and for the year ended December 31, 1999, and have issued our report thereon dated June 23, 2000, where in we noted that the City has now adopted generally accepted accounting principles. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's general-purpose 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 general-purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 1999-20705-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated June 23, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the general-purpose financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 1999-20705-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management in a separate letter dated June 23, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

June 23, 2000

**CITY OF NELSONVILLE
SCHEDULE OF FINDINGS
DECEMBER 31, 1999**

FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 1999-20705-001

Noncompliance Citation

Ohio Rev. Code § 5705.41(D) states that no subdivision shall make any contract or order any disbursement of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund, free from any previous encumbrance. This section also provides two "exceptions" to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, City Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of City Council.

During 1999, forty-two percent of the expenditures tested were not properly certified as to the availability of funds.

We recommend the City require the certificate of the City Auditor, to certify the availability of funds, prior to incurring an obligation. We also recommend that such certificate be attached to the voucher package as support of such certification.

FINDING NUMBER 1999-20705-002

Reportable Condition

Budgetary Reporting

There were no controls in place to ensure that appropriations and estimated resources, approved by the City Council, were properly posted to the computer system. This resulted in incorrect amounts being posted to the system and City management using inaccurate information, from budgetary reports, in making financial decisions for the City. Several adjustments/reclassifications were made by the City's GAAP Conversion Consultant. The budgetary information disclosed in the accompanying "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budget Basis)" reflects the budgetary activity as approved by the City Council.

We recommend the City implement control procedures to ensure that the approved budgetary figures are being posted to the computer system correctly.



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CITY OF NELSONVILLE

ATHENS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 22, 2000**