



**Mary Taylor, CPA**  
Auditor of State



**CITY OF COSHOCTON  
COSHOCTON COUNTY**

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**CITY OF COSHOCTON  
COSHOCTON COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

City of Coshocton  
Coshocton County  
760 Chestnut Street  
Coshocton, Ohio 43812

To the Honorable Mayor and City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Coshocton, Coshocton County, Ohio, (the City) as of and for the year ended December 31, 2008, 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 opinions 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Coshocton, Coshocton County, Ohio, as of December 31, 2008, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General and Fire 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 our report dated August 21, 2009, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did 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*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

August 21, 2009

## CITY OF COSHOCTON, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008 (UNAUDITED)

The management's discussion and analysis of the City of Coshocton's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2008. 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 2008 are as follows:

- The total net assets of the City increased \$182,681. Net assets of governmental activities decreased \$328,285 or 4.30% under 2007 and net assets of business-type activities increased \$510,966 or 10.07% over 2007.
- General revenues accounted for \$6,549,312 or 74.70% of total governmental activities revenue. Program specific revenues accounted for \$2,218,053 or 25.30% of total governmental activities revenue.
- The City had \$9,095,650 in expenses related to governmental activities; \$2,218,053 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$6,877,597 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$6,549,312.
- The general fund had revenues of \$4,306,117 in 2008. This represents a decrease of \$631,822 from 2007 revenues. The expenditures of the general fund, which totaled \$4,916,051 in 2008, increased \$127,165 from 2007. The net decrease in fund balance for the general fund was \$609,934 or 245.57%.
- The fire fund had revenues of \$1,044,906 in 2008. The expenditures of the fire fund, totaled \$1,076,878 in 2008. The net decrease in fund balance for the fire fund was \$31,972.
- The fire improvement fund had revenues and other financing sources of \$946,292 in 2008. The expenditures of the fire improvement fund, totaled \$1,156,592 in 2008. The net decrease in fund balance for the fire improvement fund was \$210,300.
- Net assets for the business-type activities, which are made up of the water, sewer, and refuse enterprise funds, increased in 2008 by \$510,966.
- The water fund, a major enterprise fund, had operating revenues of \$3,202,755 in 2008 and operating and nonoperating expenses of \$2,803,449 in 2008. The net assets of the water fund increased \$399,306 or 13.06% from 2007.
- The sewer fund, a major enterprise fund, had operating and nonoperating revenues of \$2,134,536 in 2008 and operating and nonoperating expenses of \$2,076,876 in 2008. The net assets of the sewer fund increased \$57,660 or 3.31% from 2007.
- The solid waste fund, a major enterprise fund, had operating revenues of \$865,282 in 2008 and operating expenses of \$761,285 in 2008. The net assets of the solid waste fund increased \$103,997 or 45.32% from 2007.
- In the general fund, the actual revenues came in \$676,303 lower than they were in the final budget and actual expenditures were \$214,015 less than the amount in the final budget. Budgeted revenues increased \$636,010 from the original to the final budget due primarily to an increase in projected income taxes and intergovernmental revenue. Budgeted expenditures increased \$219,081 from the original to the final budget due primarily to an increase in the estimated cost of general government and security of persons and property expenditures.

## CITY OF COSHOCTON, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008 (UNAUDITED)

#### **Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the City as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net assets and statement of activities provide information about the activities of the City as a whole, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next 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. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

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

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

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the 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 will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net *assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

In the statement of net assets and the statement of activities, the City is divided into two distinct kinds of activities:

Governmental activities - Most of the City's programs and services are reported here including police, fire and rescue, street maintenance, capital improvements and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including federal and state grants and other shared revenues.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's water, sewer, and refuse operations are reported here.

The City's statement of net assets and statement of activities can be found on pages 18-20 of this report.

#### **Reporting the City's Most Significant Funds**

##### *Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.



## CITY OF COSHOCTON, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008 (UNAUDITED)

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focuses on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 11.

#### ***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 near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of 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 readers may better understand the long-term impact of the government's near-term financing 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 multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, fire fund and the fire improvement fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 21-26 of this report.

#### ***Proprietary Funds***

The City maintains two types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and refuse management functions. The City's water, sewer and solid waste enterprise funds are considered major funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for self-insurance. The basic proprietary fund financial statements can be found on pages 27-30 of this report.

#### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. A private-purpose trust and agency funds are the City's fiduciary fund types. The basic fiduciary fund financial statements can be found on pages 31-32 of this report.

#### ***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 33-63 of this report.

**CITY OF COSHOCTON, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(UNAUDITED)

**Government-Wide Financial Analysis**

The table below provides a summary of the City's net assets for 2008 and 2007:

	<b>Net Assets</b>					
	Governmental	Business-type	Governmental	Business-type	2008	2007
	Activities 2008	Activities 2008	Activities 2007	Activities 2007	Total	Total
<u>Assets</u>						
Current and other assets	\$ 3,463,274	\$ 2,786,271	\$ 4,077,731	\$ 2,446,962	\$ 6,249,545	\$ 6,524,693
Capital assets	<u>6,193,016</u>	<u>20,959,061</u>	<u>5,922,342</u>	<u>20,172,907</u>	<u>27,152,077</u>	<u>26,095,249</u>
Total assets	<u>9,656,290</u>	<u>23,745,332</u>	<u>10,000,073</u>	<u>22,619,869</u>	<u>33,401,622</u>	<u>32,619,942</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	1,370,233	17,008,049	1,261,969	16,416,753	18,378,282	17,678,722
Other liabilities	<u>985,677</u>	<u>1,150,009</u>	<u>1,109,439</u>	<u>1,126,808</u>	<u>2,135,686</u>	<u>2,236,247</u>
Total liabilities	<u>2,355,910</u>	<u>18,158,058</u>	<u>2,371,408</u>	<u>17,543,561</u>	<u>20,513,968</u>	<u>19,914,969</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	5,585,148	4,267,574	5,371,199	4,071,267	9,852,722	9,442,466
Restricted	2,183,120	-	2,266,451	-	2,183,120	2,266,451
Unrestricted (deficit)	<u>(467,888)</u>	<u>1,319,700</u>	<u>(8,985)</u>	<u>1,005,041</u>	<u>851,812</u>	<u>996,056</u>
Total net assets	<u>\$ 7,300,380</u>	<u>\$ 5,587,274</u>	<u>\$ 7,628,665</u>	<u>\$ 5,076,308</u>	<u>\$ 12,887,654</u>	<u>\$ 12,704,973</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2008, the City's assets exceeded liabilities by \$12,887,654. At year-end, net assets were \$7,300,380 and \$5,587,274 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 81.29% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles, construction in progress and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2008, were \$5,585,148 and \$4,267,574 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net assets, \$2,266,451, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets is a deficit of \$467,888.

**CITY OF COSHOCTON, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(UNAUDITED)**

The table below shows the changes in net assets for 2008 and 2007.

	<b>Change in Net Assets</b>					
	Governmental	Business-type	Governmental	Business-type	2008	2007
	Activities	Activities	Activities	Activities	Total	Total
	<u>2008</u>	<u>2008</u>	<u>2007</u>	<u>2007</u>		
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,341,271	\$ 5,803,073	\$ 1,189,218	\$ 5,124,002	\$ 7,144,344	\$ 6,313,220
Operating grants and contributions	<u>876,782</u>	<u>-</u>	<u>1,048,492</u>	<u>-</u>	<u>876,782</u>	<u>1,048,492</u>
Total program revenues	<u>2,218,053</u>	<u>5,803,073</u>	<u>2,237,710</u>	<u>5,124,002</u>	<u>8,021,126</u>	<u>7,361,712</u>
General revenues:						
Property taxes	503,168	-	554,339	-	503,168	554,339
Income taxes	4,084,079	-	4,459,016	-	4,084,079	4,459,016
Lodging tax	99,858	-	75,722	-	99,858	75,722
JEDD revenue	477,370	-	347,928	-	477,370	347,928
Unrestricted grants and entitlements	807,506	-	757,325	-	807,506	757,325
Investment earnings	81,619	-	145,108	-	81,619	145,108
Debt revenue subsidy	-	399,500	-	-	399,500	-
Miscellaneous	<u>495,712</u>	<u>-</u>	<u>381,832</u>	<u>48,781</u>	<u>495,712</u>	<u>430,613</u>
Total general revenues	<u>6,549,312</u>	<u>399,500</u>	<u>6,721,270</u>	<u>48,781</u>	<u>6,948,812</u>	<u>6,770,051</u>
Total revenues	<u>8,767,365</u>	<u>6,202,573</u>	<u>8,958,980</u>	<u>5,172,783</u>	<u>14,969,938</u>	<u>14,131,763</u>
<b>Expenses:</b>						
General government	2,675,272	-	2,445,664	-	2,675,272	2,445,664
Security of persons and property	3,659,900	-	3,332,620	-	3,659,900	3,332,620
Public health and welfare	1,196,946	-	1,285,922	-	1,196,946	1,285,922
Transportation	1,089,116	-	1,086,013	-	1,089,116	1,086,013
Community environment	17,205	-	13,080	-	17,205	13,080
Leisure time activity	198,810	-	194,752	-	198,810	194,752
Urban redevelopment and housing	229,674	-	449,736	-	229,674	449,736
Interest and fiscal charges	28,727	-	40,735	-	28,727	40,735
Water	-	2,833,445	-	2,077,036	2,833,445	2,077,036
Sewer	-	2,096,877	-	1,199,871	2,096,877	1,199,871
Refuse	<u>-</u>	<u>761,285</u>	<u>-</u>	<u>614,085</u>	<u>761,285</u>	<u>614,085</u>
Total expenses	<u>9,095,650</u>	<u>5,691,607</u>	<u>8,848,522</u>	<u>3,890,992</u>	<u>14,787,257</u>	<u>12,739,514</u>
Increase (decrease) in net assets	(328,285)	510,966	110,458	1,281,791	182,681	1,392,249
Net assets at beginning of year	<u>7,628,665</u>	<u>5,076,308</u>	<u>7,518,207</u>	<u>3,794,517</u>	<u>12,704,973</u>	<u>11,312,724</u>
Net assets at end of year	<u>\$ 7,300,380</u>	<u>\$ 5,587,274</u>	<u>\$ 7,628,665</u>	<u>\$ 5,076,308</u>	<u>\$ 12,887,654</u>	<u>\$ 12,704,973</u>

## CITY OF COSHOCTON, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008 (UNAUDITED)

#### Governmental Activities

Governmental activities net assets decreased \$328,285 in 2008. This decrease is a result of decreasing operating grants contributions, income tax and interest revenues versus amounts reported in the prior year.

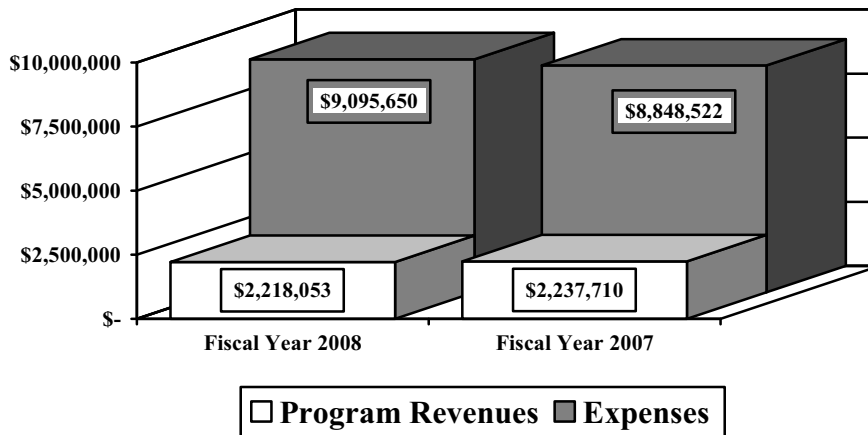
Security of persons and property, which primarily supports the operations of the fire department accounted for \$3,659,900 of the total expenses of the City. General government expenses totaled \$2,675,272. General government expenses were partially funded by \$247,457 in direct charges to users of the services. Transportation expenses were partially funded by \$548,304 in operating grants and contributions.

The state and federal government contributed to the City a total of \$876,782 in operating grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$548,304 subsidized transportation programs and \$221,078 subsidized urban redevelopment and housing activities.

General revenues totaled \$6,549,312, and amounted to 74.70% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$4,587,247. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$807,506.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen in the graph below, the City is highly dependent upon general revenues (primarily property and income taxes as well as unrestricted grants and entitlements) to support its governmental activities as program revenues are not sufficient to cover total governmental expenses for 2008.

**Governmental Activities – Program Revenues vs. Total Expenses**



**CITY OF COSHOCTON, OHIO**

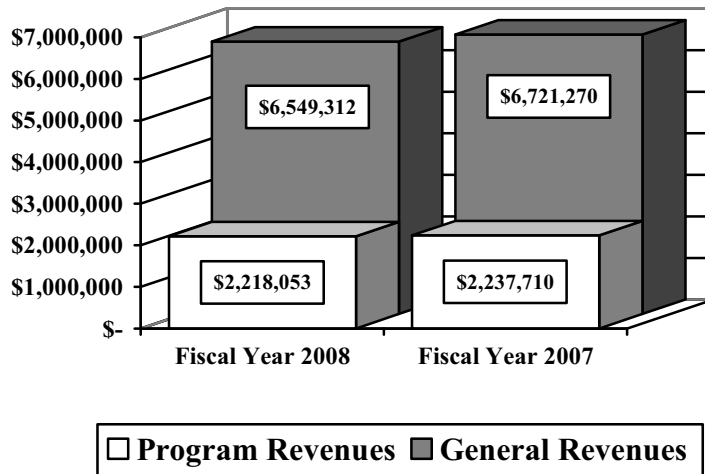
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(UNAUDITED)

**Governmental Activities**

	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>
Program Expenses:				
General government	\$ 2,675,272	\$ 2,346,020	\$ 2,445,664	\$ 1,991,115
Security of persons and property	3,659,900	3,659,900	3,332,620	3,332,620
Public health and welfare	1,196,946	149,601	1,285,922	553,488
Transportation	1,089,116	540,812	1,086,013	552,117
Community environment	17,205	16,708	13,080	10,845
Leisure time activity	198,810	127,233	194,752	194,752
Urban redevelopment and housing	229,674	8,596	449,736	(64,860)
Interest and fiscal charges	<u>28,727</u>	<u>28,727</u>	<u>40,735</u>	<u>40,735</u>
<b>Total</b>	<b><u>\$ 9,095,650</u></b>	<b><u>\$ 6,877,597</u></b>	<b><u>\$ 8,848,522</u></b>	<b><u>\$ 6,610,812</u></b>

The dependence upon general revenues for governmental activities is apparent, with 75.61% of expenses supported through taxes and other general revenues. The chart below illustrates the City's program revenues versus general revenues for 2008 and 2007.

**Governmental Activities – General and Program Revenues**



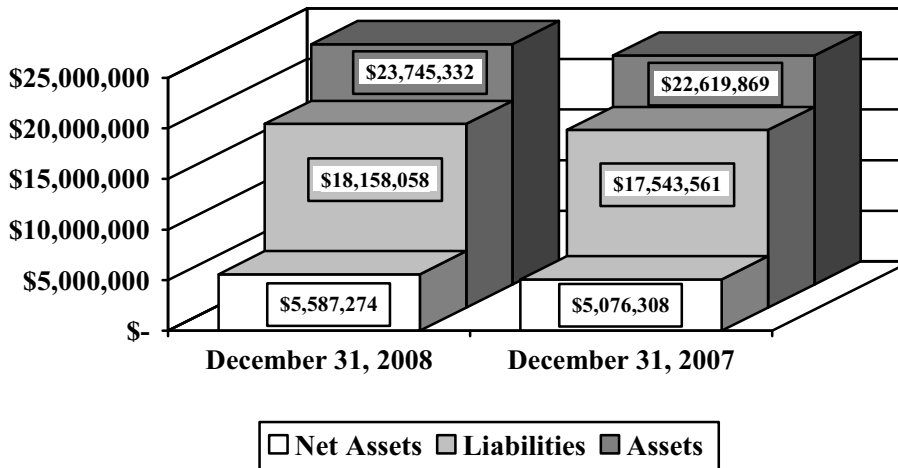
**CITY OF COSHOCTON, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(UNAUDITED)

**Business-type Activities**

Business-type activities include the water, sewer, and refuse enterprise funds. These programs had program revenues of \$5,803,073, general revenues of \$399,500 and expenses of \$5,691,607 for 2008. The graph below shows the business-type activities assets, liabilities and net assets at year-end.

**Net Assets in Business – Type Activities**



**Financial Analysis of the Government's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at year-end.

The City's governmental funds (as presented on the balance sheet on page 21) reported a combined fund balance of \$1,310,863 which is \$700,368 below last year's total of \$2,011,231. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2008 and 2007 for all major and nonmajor governmental funds.

	Fund Balances (Deficit) <u>12/31/08</u>	Fund Balances <u>12/31/07</u>	Increase <u>Decrease</u>
Major funds:			
General	\$ (361,561)	\$ 248,373	\$ (609,934)
Fire	41,983	73,955	(31,972)
Fire improvement	331,676	541,976	(210,300)
Other nonmajor governmental funds	<u>1,298,765</u>	<u>1,146,927</u>	<u>151,838</u>
Total	<u>\$ 1,310,863</u>	<u>\$ 2,011,231</u>	<u>\$ (700,368)</u>

**CITY OF COSHOCTON, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(UNAUDITED)

**General Fund**

The City's general fund balance decreased \$609,934. The table that follows assists in illustrating the revenues of the general fund.

	2008 <u>Amount</u>	2007 <u>Amount</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 2,641,178	\$ 3,112,320	(15.14) %
Charges for services	328,135	524,938	(37.49) %
Licenses and permits	5,064	7,614	(33.49) %
Fines and forfeitures	2,238	16,451	(86.40) %
Investment income	28,887	117,837	(75.49) %
Intergovernmental	769,788	759,226	1.39 %
JEDD revenue	200,703	-	100.00 %
Other	330,124	299,258	10.31 %
<b>Total</b>	<b><u>\$ 4,306,117</u></b>	<b><u>\$ 4,837,644</u></b>	<b>(10.99) %</b>

Tax revenue represents 61.34% of all general fund revenue. The decrease in tax revenues is due to the decrease in income tax. The decrease in charges for service revenues is due primarily to the decrease in municipal court revenues. The increase in intergovernmental revenues is due to the slight increase in collections of inheritance taxes during the year. The increase in other revenues is due primarily to the increase in refunds and reimbursements received during the year, the collection of cable franchise fees and other administrative revenues.

The table that follows assists in illustrating the expenditures of the general fund.

	2008 <u>Amount</u>	2007 <u>Amount</u>	Percentage <u>Change</u>
<b><u>Expenditures</u></b>			
General government	\$ 1,998,463	\$ 2,149,805	(7.04) %
Security of persons and property	2,250,294	2,009,378	11.99 %
Public health and welfare	509,174	489,929	3.93 %
Community environment	13,750	12,580	9.30 %
Leisure time activity	144,370	119,769	20.54 %
Debt service	-	7,425	(100.00) %
<b>Total</b>	<b><u>\$ 4,916,051</u></b>	<b><u>\$ 4,788,886</u></b>	<b>2.66 %</b>

The City increased total expenditures during 2008 by \$127,165. The increase in security of persons and property expenditures related to costs associated with the sheriff department as well as contract services. General government expenditures decreased primarily due to a decrease in expenditures relating to unemployment and income tax income. Leisure time activity expenditures increased due to an increase in related personal services that included salaries and benefits. Public health and welfare expenditures increased due to the increase in related health department expenditures.

**Fire Fund**

The fire fund had revenues of \$1,044,906 in 2008. The expenditures of the fire fund, totaled \$1,076,878 in 2008. The net decrease in fund balance for the fire fund was \$31,972.

**CITY OF COSHOCTON, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(UNAUDITED)**

***Fire Improvement Fund***

The fire improvement fund had revenues and other financing sources of \$946,292 in 2008. The expenditures of the fire improvement fund, totaled \$1,156,592 in 2008. The net decrease in fund balance for the fire improvement fund was \$210,300.

***Budgeting Highlights***

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

Budgetary information is presented for the general fund and fire fund. In the general fund, one of the most significant changes was between the original and final budgeted amount in the area of revenues, which increased \$636,010 from \$4,510,394 to \$5,146,404. Actual revenues of \$4,470,101 were less than final budgeted revenues and other financing sources by \$676,303. The other significant change was between the final budgeted expenditures and original budgeted expenditures. Original budgeted expenditures came in \$219,081 lower than the final budgeted amounts.

***Proprietary Funds***

The City's enterprise funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail. The only difference between the amounts reported as business-type activities and the amounts reported in the proprietary fund statements are interfund eliminations between proprietary funds and internal balances due to governmental activities for internal service activities. The only interfund activity reported in the government wide statements are those between business-type activities and governmental activities (reported as internal balances and transfers) whereas interfund amounts between various enterprise funds are reported in the proprietary fund statements.



**CITY OF COSHOCTON, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(UNAUDITED)

The City's enterprise funds (as presented on the statement of net assets on page 27) reported a combined net assets of \$5,589,348. The schedule below indicates the net assets and the total change in net assets as of December 31, 2008 for all enterprise funds.

	<u>Net Assets</u> <u>12/31/08</u>	<u>Net Assets</u> <u>12/31/07</u>	<u>Increase</u>
Major Funds:			
Water	\$ 3,457,102	\$ 3,057,796	\$ 399,306
Sewer	1,798,776	1,741,116	57,660
Solid waste	<u>333,470</u>	<u>229,473</u>	<u>103,997</u>
Total	<u>\$ 5,589,348</u>	<u>\$ 5,028,385</u>	<u>\$ 560,963</u>

***Water Fund***

The City's Water fund net assets increased \$399,306 due mainly to the increase in charges for services.

The following tables illustrate the revenues and expenses of the Water fund.

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Operating Revenues</u></b>			
Charges for services	\$ 3,172,505	\$ 2,901,246	9.35 %
Other	<u>30,250</u>	<u>3,419</u>	784.76 %
Total	<u>\$ 3,202,755</u>	<u>\$ 2,904,665</u>	10.26 %
<b><u>Operating Expenses</u></b>			
Personal services	\$ 951,457	\$ 943,654	0.83 %
Contractual services	325,733	240,782	35.28 %
Materials and supplies	1,020,351	711,921	43.32 %
Depreciation	180,393	174,013	3.67 %
Other	<u>1,500</u>	<u>919</u>	63.22 %
Total	<u>\$ 2,479,434</u>	<u>\$ 2,071,289</u>	19.70 %
<b><u>Nonoperating Expenses</u></b>			
Interest expense and fiscal charges	<u>\$ (324,015)</u>	<u>\$ (56,535)</u>	473.12 %
Total	<u>\$ (324,015)</u>	<u>\$ (56,535)</u>	473.12 %

**CITY OF COSHOCTON, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(UNAUDITED)

***Sewer Fund***

The City's sewer fund net assets increased \$57,660 due mainly to the increase in other revenues. The following tables illustrate the revenues and expenses of the sewer fund.

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Operating Revenues</u></b>			
Charges for services	\$ 1,549,933	\$ 1,551,653	(0.11) %
Other	<u>185,103</u>	<u>45,362</u>	308.06 %
Total	<u>\$ 1,735,036</u>	<u>\$ 1,597,015</u>	8.64 %
<b><u>Operating Expenses</u></b>			
Personal services	\$ 715,145	\$ 649,752	10.06 %
Contractual services	637,860	129,354	393.11 %
Materials and supplies	322,473	252,475	27.72 %
Other	135,666	-	100.00 %
Depreciation	<u>197,654</u>	<u>124,694</u>	58.51 %
Total	<u>\$ 2,008,798</u>	<u>\$ 1,156,275</u>	73.73 %
<b><u>Nonoperating Revenues (Expenses)</u></b>			
Debt revenue subsidy	\$ 399,500	\$ -	100.00 %
Interest expense and fiscal charges	<u>(68,078)</u>	<u>(75,845)</u>	(10.24) %
Total	<u>\$ 331,422</u>	<u>\$ (75,845)</u>	536.97 %

**CITY OF COSHOCTON, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(UNAUDITED)

***Solid Waste Fund***

The City's solid waste fund net assets increased \$103,997 due to adequate charges for services revenue. The following tables illustrate the revenues and expenses of the sewer fund.

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Operating Revenues</u></b>			
Charges for services	\$ 865,282	\$ 671,103	28.93 %
Total	<u>\$ 865,282</u>	<u>\$ 671,103</u>	28.93 %
<b><u>Operating Expenses</u></b>			
Contractual services	682,789	465,000	46.84 %
Materials and supplies	<u>78,496</u>	<u>149,085</u>	(47.35) %
Total	<u>\$ 761,285</u>	<u>\$ 614,085</u>	23.97 %

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of 2008, the City had \$27,152,077 (net of accumulated depreciation) invested in land, buildings and improvements, improvements other than buildings, furniture and equipment, vehicles, infrastructure and construction in progress. Of this total, \$6,193,016 was reported in governmental activities and \$20,959,061 was reported in business-type activities. See Note 10 for further description of capital assets. The following table shows 2008 balances compared to 2007:

**Capital Assets at December 31  
(Net of Depreciation)**

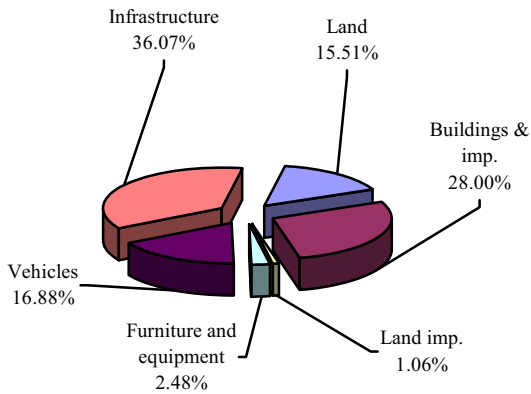
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 960,438	\$ 960,438	\$ 34,500	\$ 34,500	\$ 994,938	\$ 994,938
Land improvements	65,434	68,776	5,958	7,447	71,392	76,223
Buildings and improvements	1,733,741	1,812,000	3,795,333	2,471,544	5,529,074	4,283,544
Furniture and equipment	153,373	203,439	1,039,748	127,788	1,193,121	331,227
Vehicles	1,045,562	404,033	60,137	88,292	1,105,699	492,325
Infrastructure	2,234,468	2,473,656	-	-	2,234,468	2,473,656
Water and sewer lines	-	-	1,467,211	1,582,363	1,467,211	1,582,363
Construction in progress	-	-	<u>14,556,174</u>	<u>15,860,973</u>	<u>14,556,174</u>	<u>15,860,973</u>
Totals	<u>\$ 6,193,016</u>	<u>\$ 5,922,342</u>	<u>\$ 20,959,061</u>	<u>\$ 20,172,907</u>	<u>\$ 27,152,077</u>	<u>\$ 26,095,249</u>

**CITY OF COSHOCTON, OHIO**

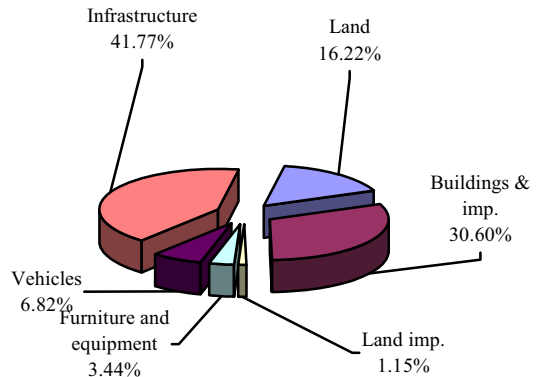
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(UNAUDITED)**

The following graphs show the breakdown of governmental capital assets by category for 2008 and 2007.

**Capital Assets - Governmental Activities 2008**



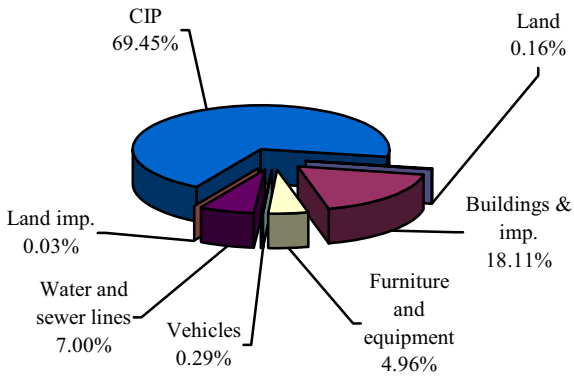
**Capital Assets - Governmental Activities 2007**



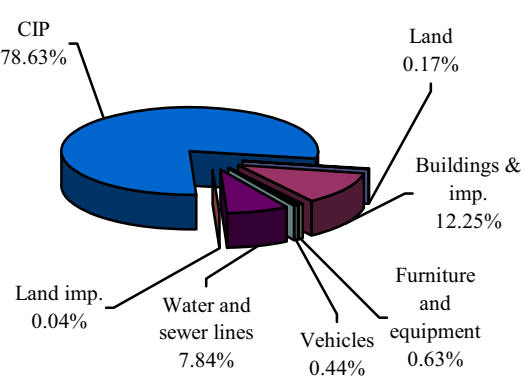
The City's largest governmental capital asset category is infrastructure. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 36.07% of the City's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2008 and 2007.

**Capital Assets - Business-Type Activities 2008**



**Capital Assets - Business-Type Activities 2007**



The City's third largest business-type capital asset category is water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's water and sewer lines (cost less accumulated depreciation) represents approximately 7.00% of the City's total business-type capital assets.

## CITY OF COSHOCTON, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008 (UNAUDITED)

#### ***Debt Administration***

The City had the following long-term obligations outstanding at December 31, 2008 and 2007:

	Governmental Activities	
	<u>2008</u>	<u>2007</u>
General obligation bonds	\$ 160,000	\$ 315,000
Note payable	600,000	-
Capital lease obligation	<u>-</u>	<u>236,143</u>
Total long-term obligations	<u>\$ 760,000</u>	<u>\$ 551,143</u>

	Business-type Activities	
	<u>2008</u>	<u>2007</u>
Revenue bonds	975,000	1,200,000
OWDA loans	<u>15,769,281</u>	<u>14,967,633</u>
Total long-term obligations	<u>\$ 16,744,281</u>	<u>\$ 16,167,633</u>

Further detail on the City's long-term obligations can be found in Note 13 to the financial statements.

#### **Economic Conditions and Outlook**

The City's administration considers the impact of various economic factors when establishing the 2009 budget. The continued challenges resulting from regional loss of employment, stagnant economic development, and the general national recession, have yielded significant influence on the objectives established in the 2009 budget. The primary objectives include continued improvement to constituent service delivery as well as long-term fiscal stability.

Despite the uncertainty surrounding the economy, the City continues to carefully monitor two primary sources of revenue—local income taxes and shared intergovernmental (state) revenue. In order to stabilize the impact of the fluctuations in these revenue sources, City Council continues to pursue economic development and job creation; maintain the community's reputation for high public safety standards; and adoption of a budget designed to promote long-term fiscal stability. In order to meet the objectives of the 2009 budget, the City emphasized various efforts to continue to contain costs while pursuing new sources of revenue. A ½% income tax increase was passed in May 2005 specifically for the operational expenses and capital improvements of the fire department. This is freeing up general fund monies for other departments.

The average unemployment rate for Coshocton County in 2008 was 9.3% compared to the 7.8% State of Ohio average. The City Auditor anticipates the 2008 rate to continue through 2009. In order to meet these challenges, further cost containment and/or revenue enhancement actions will be essential. With the continuation of conservative budgeting practices, the City's financial position is anticipated to remain stable in future years.

#### **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and 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 questions about this report or need additional financial information please contact Mrs. Lois Murphy, City Auditor, City of Coshocton, City Hall, 760 Chestnut Street, Coshocton, Ohio 43812.

BASIC  
FINANCIAL STATEMENTS

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**CITY OF COSHOCTON, OHIO**

STATEMENT OF NET ASSETS  
DECEMBER 31, 2008

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents. . . . .	\$ 1,171,745	\$ 1,763,212	\$ 2,934,957
Receivables (net of allowances for uncollectibles):			
Income taxes . . . . .	912,689	-	912,689
Property and other local taxes . . . . .	494,008	-	494,008
Accounts . . . . .	73,994	874,974	948,968
Accrued interest . . . . .	3,965	-	3,965
Special assessments . . . . .	7,897	7,085	14,982
Internal balances . . . . .	2,074	(2,074)	-
Due from other governments . . . . .	723,736	-	723,736
Materials and supplies inventory. . . . .	73,166	114,204	187,370
Deferred charges . . . . .	-	28,870	28,870
Capital assets:			
Land and construction in progress. . . . .	960,438	14,590,674	15,551,112
Depreciable capital assets, net . . . . .	<u>5,232,578</u>	<u>6,368,387</u>	<u>11,600,965</u>
Total capital assets. . . . .	<u>6,193,016</u>	<u>20,959,061</u>	<u>27,152,077</u>
 Total assets. . . . .	 <u>9,656,290</u>	 <u>23,745,332</u>	 <u>33,401,622</u>
<b>Liabilities:</b>			
Accounts payable. . . . .	80,778	184,641	265,419
Contracts payable. . . . .	38,697	-	38,697
Accrued wages and benefits . . . . .	102,308	43,505	145,813
Due to other governments . . . . .	216,559	60,915	277,474
Unearned revenue. . . . .	449,746	-	449,746
Accrued interest payable. . . . .	2,873	10,948	13,821
Claims payable. . . . .	94,716	-	94,716
Notes payable. . . . .	-	850,000	850,000
Long-term liabilities:			
Due within one year . . . . .	321,079	647,173	968,252
Due in more than one year . . . . .	<u>1,049,154</u>	<u>16,360,876</u>	<u>17,410,030</u>
 Total liabilities . . . . .	 <u>2,355,910</u>	 <u>18,158,058</u>	 <u>20,513,968</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt . . . . .	5,585,148	4,267,574	9,852,722
Restricted for:			
Capital projects. . . . .	373,987	-	373,987
Debt service . . . . .	70,403	-	70,403
Perpetual care:			
Expendable . . . . .	140,605	-	140,605
Nonexpendable . . . . .	250,000	-	250,000
Transportation projects . . . . .	281,458	-	281,458
Public health and welfare . . . . .	448,280	-	448,280
Public safety . . . . .	182,384	-	182,384
Other purposes . . . . .	436,003	-	436,003
Unrestricted (deficit). . . . .	<u>(467,888)</u>	<u>1,319,700</u>	<u>851,812</u>
 Total net assets . . . . .	 <u>\$ 7,300,380</u>	 <u>\$ 5,587,274</u>	 <u>\$ 12,887,654</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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**CITY OF COSHOCTON, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b>Governmental Activities:</b>			
General government . . . . .	\$ 2,675,272	\$ 247,457	\$ 81,795
Security of persons and property. . . . .	3,659,900	-	-
Public health and welfare . . . . .	1,196,946	1,021,740	25,605
Transportation . . . . .	1,089,116	-	548,304
Community environment. . . . .	17,205	497	-
Leisure time activity. . . . .	198,810	71,577	-
Urban redevelopment and housing . . . . .	229,674	-	221,078
Interest and fiscal charges. . . . .	28,727	-	-
<b>Total governmental activities . . . . .</b>	<b>9,095,650</b>	<b>1,341,271</b>	<b>876,782</b>
<b>Business-type Activities:</b>			
Water . . . . .	2,833,445	3,202,755	-
Sewer . . . . .	2,096,877	1,735,036	-
Solid Waste. . . . .	761,285	865,282	-
<b>Total business-type activities . . . . .</b>	<b>5,691,607</b>	<b>5,803,073</b>	<b>-</b>
<b>Total primary government. . . . .</b>	<b>\$ 14,787,257</b>	<b>\$ 7,144,344</b>	<b>\$ 876,782</b>

**General Revenues:**

Property taxes levied for:	
General purposes. . . . .	
Fire pension fund. . . . .	
Income taxes levied for:	
General purposes. . . . .	
Fire fund . . . . .	
Street fund . . . . .	
Capital project funds . . . . .	
Debt service . . . . .	
JEDD revenue levied for:	
General purposes . . . . .	
Special revenue . . . . .	
Lodging tax levied for:	
General purposes . . . . .	
Special revenue . . . . .	
Grants and entitlements not restricted to specific programs . . . . .	
Investment earnings . . . . .	
Debt revenue subsidy. . . . .	
Miscellaneous . . . . .	
<b>Total general revenues. . . . .</b>	
<b>Change in net assets. . . . .</b>	
<b>Net assets at beginning of year . . . . .</b>	
<b>Net assets at end of year. . . . .</b>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue and Changes in Net Assets**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (2,346,020)	\$ -	\$ (2,346,020)
(3,659,900)	-	(3,659,900)
(149,601)	-	(149,601)
(540,812)	-	(540,812)
(16,708)	-	(16,708)
(127,233)	-	(127,233)
(8,596)	-	(8,596)
(28,727)	-	(28,727)
<u>(6,877,597)</u>	<u>-</u>	<u>(6,877,597)</u>
-	369,310	369,310
-	(361,841)	(361,841)
-	103,997	103,997
<u>-</u>	<u>111,466</u>	<u>111,466</u>
<u>(6,877,597)</u>	<u>111,466</u>	<u>(6,766,131)</u>
449,559	-	449,559
53,609	-	53,609
2,122,864	-	2,122,864
1,022,446	-	1,022,446
298,836	-	298,836
476,868	-	476,868
163,065	-	163,065
200,703	-	200,703
276,667	-	276,667
15,544	-	15,544
84,314	-	84,314
807,506	-	807,506
81,619	-	81,619
-	399,500	399,500
495,712	-	495,712
<u>6,549,312</u>	<u>399,500</u>	<u>6,948,812</u>
(328,285)	510,966	182,681
<u>7,628,665</u>	<u>5,076,308</u>	<u>12,704,973</u>
<u>\$ 7,300,380</u>	<u>\$ 5,587,274</u>	<u>\$ 12,887,654</u>

**CITY OF COSHOCTON, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2008

	<u>General</u>	<u>Fire</u>	<u>Fire Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and cash equivalents . . . . .	\$ -	\$ -	\$ 304,737	\$ 862,600	\$ 1,167,337
Receivables (net of allowance for uncollectibles):					
Income taxes . . . . .	450,798	213,394	71,124	177,373	912,689
Property and other local taxes . . . . .	436,802	-	-	57,206	494,008
Accounts . . . . .	69,912	-	-	4,082	73,994
Accrued interest . . . . .	-	-	-	3,965	3,965
Special assessments . . . . .	7,897	-	-	-	7,897
Due from other funds . . . . .	15,977	6,521	-	416,987	439,485
Due from other governments . . . . .	406,789	-	-	316,947	723,736
Materials and supplies inventory . . . . .	-	-	-	73,166	73,166
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets . . . . .	<u>\$ 1,388,175</u>	<u>\$ 219,915</u>	<u>\$ 375,861</u>	<u>\$ 1,912,326</u>	<u>\$ 3,896,277</u>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 10,048	\$ 603	\$ -	\$ 70,127	\$ 80,778
Contracts payable . . . . .	-	-	-	38,697	38,697
Accrued wages and benefits . . . . .	87,377	-	-	14,931	102,308
Due to other funds . . . . .	398,414	17,565	-	23,506	439,485
Due to other governments . . . . .	138,350	27,195	-	51,014	216,559
Deferred revenue . . . . .	713,941	132,569	44,185	367,146	1,257,841
Unearned revenue . . . . .	401,606	-	-	48,140	449,746
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities . . . . .	<u>1,749,736</u>	<u>177,932</u>	<u>44,185</u>	<u>613,561</u>	<u>2,585,414</u>
<b>Fund Balances:</b>					
Reserved for encumbrances . . . . .	5,443	-	2,500	55,583	63,526
Reserved for materials and supplies inventory . . . . .	-	-	-	73,166	73,166
Reserved for unclaimed monies . . . . .	2,251	-	-	-	2,251
Reserved for debt service . . . . .	-	-	-	42,559	42,559
Reserved for perpetual care . . . . .	-	-	-	250,000	250,000
Unreserved, undesignated (deficit), reported in:					
General fund . . . . .	(369,255)	-	-	-	(369,255)
Special revenue funds . . . . .	-	41,983	-	765,753	807,736
Capital projects funds . . . . .	-	-	329,176	(28,901)	300,275
Permanent fund . . . . .	-	-	-	140,605	140,605
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances (deficit) . . . . .	<u>(361,561)</u>	<u>41,983</u>	<u>331,676</u>	<u>1,298,765</u>	<u>1,310,863</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances . . . . .	<u>\$ 1,388,175</u>	<u>\$ 219,915</u>	<u>\$ 375,861</u>	<u>\$ 1,912,326</u>	<u>\$ 3,896,277</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF COSHOCTON, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2008

<b>Total governmental fund balances</b>		\$ 1,310,863
<i>Amounts reported for governmental activities on 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.		6,193,016
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Income taxes receivable	\$ 567,000	
Property taxes receivable	39,415	
Accounts receivable	151,615	
Intergovernmental receivable	491,914	
Special assessments receivable	7,897	
Total		1,257,841
An internal service fund is used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of assets. The net assets of the internal service fund, including internal balances of \$2,074 are:		(88,234)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities (excluding amounts reported in the internal service fund) are as follows:		
Accrued interest payable	(2,873)	
Note payable	(600,000)	
General obligation bonds	(160,000)	
Compensated absences	(610,233)	
Total		(1,373,106)
<b>Net assets of governmental activities</b>		<b>\$ 7,300,380</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF COSHOCTON, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>General</u>	<u>Fire</u>	<u>Fire Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Income taxes . . . . .	\$ 2,166,390	\$ 1,033,163	\$ 344,345	\$ 589,103	\$ 4,133,001
Property and other taxes . . . . .	474,788	-	-	139,132	613,920
Charges for services . . . . .	328,135	-	-	898,999	1,227,134
Licenses and permits . . . . .	5,064	-	-	22,421	27,485
Fines and forfeitures . . . . .	2,238	-	-	75,039	77,277
Intergovernmental . . . . .	769,788	-	-	798,881	1,568,669
Investment income . . . . .	28,887	-	-	34,110	62,997
Rental income . . . . .	-	-	-	8,750	8,750
JEDD revenue. . . . .	200,703	-	-	280,494	481,197
Other . . . . .	330,124	11,743	1,947	39,289	383,103
Total revenues . . . . .	<u>4,306,117</u>	<u>1,044,906</u>	<u>346,292</u>	<u>2,886,218</u>	<u>8,583,533</u>
<b>Expenditures:</b>					
Current:					
General government. . . . .	1,998,463	-	-	551,513	2,549,976
Security of persons and property . . . . .	2,250,294	1,076,878	-	68,493	3,395,665
Public health and welfare . . . . .	509,174	-	-	621,587	1,130,761
Transportation. . . . .	-	-	-	804,357	804,357
Community environment . . . . .	13,750	-	-	2,553	16,303
Leisure time activity. . . . .	144,370	-	-	53,841	198,211
Urban redevelopment and housing . . . . .	-	-	-	229,674	229,674
Capital outlay . . . . .	-	-	905,937	234,052	1,139,989
Debt service:					
Principal retirement. . . . .	-	-	236,143	155,000	391,143
Interest and fiscal charges. . . . .	-	-	14,512	13,310	27,822
Total expenditures . . . . .	<u>4,916,051</u>	<u>1,076,878</u>	<u>1,156,592</u>	<u>2,734,380</u>	<u>9,883,901</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(609,934)</u>	<u>(31,972)</u>	<u>(810,300)</u>	<u>151,838</u>	<u>(1,300,368)</u>
<b>Other financing sources:</b>					
Notes issued. . . . .	-	-	600,000	-	600,000
Total other financing sources. . . . .	<u>-</u>	<u>-</u>	<u>600,000</u>	<u>-</u>	<u>600,000</u>
Net change in fund balances . . . . .	(609,934)	(31,972)	(210,300)	151,838	(700,368)
<b>Fund balances at beginning of year . . . . .</b>	<u>248,373</u>	<u>73,955</u>	<u>541,976</u>	<u>1,146,927</u>	<u>2,011,231</u>
<b>Fund balances (deficit) at end of year. . . . .</b>	<u>\$ (361,561)</u>	<u>\$ 41,983</u>	<u>\$ 331,676</u>	<u>\$ 1,298,765</u>	<u>\$ 1,310,863</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF COSHOCTON, 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, 2008

**Net change in fund balances - total governmental funds** \$ (700,368)

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

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

Capital asset additions	\$	692,168	
Current year depreciation		(421,494)	
Total			270,674

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

Income taxes		(52,749)	
Property taxes		(10,894)	
Accounts receivable		151,615	
Charges for services		625	
Intergovernmental		42,503	
Total			131,100

The issuance of notes provide current financial resources to governmental funds, but issuing debt increases long-term liabilities on the statement of net assets. (600,000)

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 391,143

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (905)

Some expenses reported on the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 85,932

An internal service fund is used by management to charge the costs of health insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund, including internal balances is allocated among the governmental activities. 94,139

**Change in net assets of governmental activities** \$ (328,285)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF COSHOCTON, OHIO**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Income taxes . . . . .	\$ 2,266,432	\$ 2,586,022	\$ 2,246,185	\$ (339,837)
Property and other taxes . . . . .	480,908	546,805	474,948	(71,857)
Charges for services . . . . .	389,094	443,960	385,618	(58,342)
Licenses and permits . . . . .	5,110	5,830	5,064	(766)
Fines and forfeitures . . . . .	1,830	2,088	1,814	(274)
Intergovernmental . . . . .	797,314	909,743	790,191	(119,552)
Investment income . . . . .	34,960	39,890	34,648	(5,242)
JEDD revenue . . . . .	186,252	214,431	186,252	(28,179)
Other . . . . .	348,494	397,635	345,381	(52,254)
Total revenues . . . . .	<u>4,510,394</u>	<u>5,146,404</u>	<u>4,470,101</u>	<u>(676,303)</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	2,054,634	2,135,906	1,996,924	138,982
Security of persons and property . . . . .	2,117,483	2,252,137	2,245,100	7,037
Public health and welfare . . . . .	553,796	552,585	503,204	49,381
Community environment . . . . .	34,590	30,104	15,027	15,077
Leisure time activity . . . . .	139,427	148,279	144,741	3,538
Total expenditures . . . . .	<u>4,899,930</u>	<u>5,119,011</u>	<u>4,904,996</u>	<u>214,015</u>
Net change in fund balance . . . . .	(389,536)	27,393	(434,895)	(462,288)
<b>Fund balance at beginning of year . . . . .</b>	23,853	23,853	23,853	-
<b>Prior year encumbrances appropriated . . . . .</b>	<u>7,185</u>	<u>7,185</u>	<u>7,185</u>	<u>-</u>
<b>Fund balance (deficit) at end of year . . . . .</b>	<u>\$ (358,498)</u>	<u>\$ 58,431</u>	<u>\$ (403,857)</u>	<u>\$ (462,288)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**CITY OF COSHOCTON, OHIO**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 FIRE FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Income taxes. . . . .	\$ 995,113	\$ 1,263,793	\$ 1,063,280	\$ (200,513)
Other . . . . .	4,887	6,207	5,222	(985)
Total revenues. . . . .	<u>1,000,000</u>	<u>1,270,000</u>	<u>1,068,502</u>	<u>(201,498)</u>
<b>Expenditures:</b>				
Current:				
Security of persons and property . . . . .	1,251,968	1,100,803	1,087,676	13,127
Total expenditures . . . . .	<u>1,251,968</u>	<u>1,100,803</u>	<u>1,087,676</u>	<u>13,127</u>
Net change in fund balance. . . . .	(251,968)	169,197	(19,174)	(188,371)
<b>Fund balance at beginning of year . . . . .</b>	1,575	1,575	1,575	-
<b>Prior year encumbrances appropriated . . . . .</b>	<u>34</u>	<u>34</u>	<u>34</u>	<u>-</u>
<b>Fund balance (deficit) at end of year . . . . .</b>	<u>\$ (250,359)</u>	<u>\$ 170,806</u>	<u>\$ (17,565)</u>	<u>\$ (188,371)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF COSHOCTON, OHIO**

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDING DECEMBER 31, 2008

	<u>Business-type Activities -Enterprise Funds</u>				<u>Governmental</u>
	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>	<u>Activities - Internal Service Fund</u>
<b>Assets:</b>					
Current assets:					
Equity in pooled cash and cash equivalents . . . . .	\$ 952,619	\$ 679,758	\$ 130,835	\$ 1,763,212	\$ 4,408
Receivables (net of allowance for uncollectibles):					
Accounts . . . . .	394,534	277,805	202,635	874,974	-
Special assessments . . . . .	7,085	-	-	7,085	-
Materials and supplies inventory . . . . .	114,204	-	-	114,204	-
Deferred charges . . . . .	-	28,870	-	28,870	-
Total current assets . . . . .	<u>1,468,442</u>	<u>986,433</u>	<u>333,470</u>	<u>2,788,345</u>	<u>4,408</u>
Noncurrent assets:					
Capital assets:					
Land and construction in progress . . . . .	9,947,482	4,643,192	-	14,590,674	-
Depreciable capital assets, net . . . . .	1,856,836	4,511,551	-	6,368,387	-
Total capital assets . . . . .	<u>11,804,318</u>	<u>9,154,743</u>	<u>-</u>	<u>20,959,061</u>	<u>-</u>
Total noncurrent assets . . . . .	<u>11,804,318</u>	<u>9,154,743</u>	<u>-</u>	<u>20,959,061</u>	<u>-</u>
Total assets . . . . .	<u>13,272,760</u>	<u>10,141,176</u>	<u>333,470</u>	<u>23,747,406</u>	<u>4,408</u>
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable . . . . .	33,252	151,389	-	184,641	-
Accrued wages and benefits . . . . .	11,668	31,837	-	43,505	-
Compensated absences . . . . .	47,217	7,403	-	54,620	-
Due to other governments . . . . .	42,225	18,690	-	60,915	-
Claims payable . . . . .	-	-	-	-	94,716
OWDA loans . . . . .	362,553	-	-	362,553	-
Notes payable . . . . .	850,000	-	-	850,000	-
Current portion of revenue bonds . . . . .	-	230,000	-	230,000	-
Accrued interest payable . . . . .	8,307	2,641	-	10,948	-
Total current liabilities . . . . .	<u>1,355,222</u>	<u>441,960</u>	<u>-</u>	<u>1,797,182</u>	<u>94,716</u>
Long-term liabilities:					
Revenue bonds . . . . .	-	692,206	-	692,206	-
OWDA loans . . . . .	8,291,015	7,115,713	-	15,406,728	-
Compensated absences . . . . .	169,421	92,521	-	261,942	-
Total long-term liabilities . . . . .	<u>8,460,436</u>	<u>7,900,440</u>	<u>-</u>	<u>16,360,876</u>	<u>-</u>
Total liabilities . . . . .	<u>9,815,658</u>	<u>8,342,400</u>	<u>-</u>	<u>18,158,058</u>	<u>94,716</u>
<b>Net assets:</b>					
Invested in capital assets, net of related debt . . . . .	3,150,750	1,116,824	-	4,267,574	-
Unrestricted (deficit) . . . . .	306,352	681,952	333,470	1,321,774	(90,308)
Total net assets . . . . .	<u>\$ 3,457,102</u>	<u>\$ 1,798,776</u>	<u>\$ 333,470</u>	<u>5,589,348</u>	<u>\$ (90,308)</u>
Adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds . . . . .				(2,074)	
Net assets of business-type activities . . . . .				<u>\$ 5,587,274</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF COSHOCTON, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Business-type Activities - Enterprise Funds</u>				<b>Governmental</b>
	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>	<b>Activities - Internal Service Fund</b>
<b>Operating revenues:</b>					
Charges for services . . . . .	\$ 3,172,505	\$ 1,549,933	\$ 865,282	\$ 5,587,720	\$ 1,054,310
Other . . . . .	30,250	185,103	-	215,353	211,552
Total operating revenues . . . . .	<u>3,202,755</u>	<u>1,735,036</u>	<u>865,282</u>	<u>5,803,073</u>	<u>1,265,862</u>
<b>Operating expenses:</b>					
Personal services . . . . .	951,457	715,145	-	1,666,602	-
Contract services . . . . .	325,733	637,860	682,789	1,646,382	136,600
Materials and supplies . . . . .	1,020,351	322,473	78,496	1,421,320	711
Claims . . . . .	-	-	-	-	1,137,141
Other . . . . .	1,500	135,666	-	137,166	-
Depreciation . . . . .	180,393	197,654	-	378,047	-
Total operating expenses . . . . .	<u>2,479,434</u>	<u>2,008,798</u>	<u>761,285</u>	<u>5,249,517</u>	<u>1,274,452</u>
Operating income (loss) . . . . .	<u>723,321</u>	<u>(273,762)</u>	<u>103,997</u>	<u>553,556</u>	<u>(8,590)</u>
<b>Nonoperating revenues (expenses):</b>					
Interest revenue . . . . .	-	-	-	-	52,732
Interest expense and fiscal charges . . . . .	(324,015)	(68,078)	-	(392,093)	-
Debt revenue subsidy . . . . .	-	399,500	-	399,500	-
Total nonoperating revenues (expenses) . . . . .	<u>(324,015)</u>	<u>331,422</u>	<u>-</u>	<u>7,407</u>	<u>52,732</u>
Changes in net assets . . . . .	399,306	57,660	103,997	560,963	44,142
<b>Net assets at beginning of year . . . . .</b>	<u>3,057,796</u>	<u>1,741,116</u>	<u>229,473</u>		<u>(134,450)</u>
<b>Net assets at end of year . . . . .</b>	<u>\$ 3,457,102</u>	<u>\$ 1,798,776</u>	<u>\$ 333,470</u>		<u>\$ (90,308)</u>
Adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds.				<u>(49,997)</u>	
Changes in net assets of business-type activities				<u>\$ 510,966</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF COSHOCTON, OHIO**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Business-type Activities - Enterprise Funds</u>				<b>Governmental</b>
	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>	<b>Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>					
Cash received from customers . . . . .	\$ 3,123,506	\$ 1,551,585	\$ 837,656	\$ 5,512,747	\$ 1,054,310
Cash received from other operations. . . . .	30,250	185,103	-	215,353	211,552
Cash payments for personal services . . . . .	(960,793)	(704,434)	-	(1,665,227)	-
Cash payments for contract services . . . . .	(312,463)	(296,576)	(690,267)	(1,299,306)	(136,600)
Cash payments for materials and supplies . . . . .	(909,669)	(659,395)	(78,496)	(1,647,560)	(711)
Cash payments for claims . . . . .	-	-	-	-	(1,271,707)
Cash payments for other expenses. . . . .	(1,500)	-	-	(1,500)	-
Net cash provided by (used in) operating activities. . . . .	<u>969,331</u>	<u>76,283</u>	<u>68,893</u>	<u>1,114,507</u>	<u>(143,156)</u>
<b>Cash flows from noncapital financing activities:</b>					
Cash received from debt revenue subsidy . . . . .	-	399,500	-	399,500	-
Net cash provided by noncapital financing activities . . . . .	<u>-</u>	<u>399,500</u>	<u>-</u>	<u>399,500</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>					
Acquisition of capital assets . . . . .	(35,102)	(1,130,569)	-	(1,165,671)	-
Principal retirement on revenue bonds . . . . .	-	(225,000)	-	(225,000)	-
Principal retirement on notes . . . . .	(920,000)	-	-	(920,000)	-
Principal retirement on loans . . . . .	(362,553)	-	-	(362,553)	-
Proceeds of notes. . . . .	850,000	-	-	850,000	-
Proceeds of loans. . . . .	33,632	1,130,569	-	1,164,201	-
Interest and fiscal charges. . . . .	(349,345)	(48,270)	-	(397,615)	-
Net cash used in capital and related financing activities. . . . .	<u>(783,368)</u>	<u>(273,270)</u>	<u>-</u>	<u>(1,056,638)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>					
Interest received. . . . .	-	-	-	-	52,732
Net cash provided by investing activities . . . . .	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,732</u>
Net increase (decrease) in cash and cash equivalents. . . . .	185,963	202,513	68,893	457,369	(90,424)
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<u>766,656</u>	<u>477,245</u>	<u>61,942</u>	<u>1,305,843</u>	<u>94,832</u>
<b>Cash and cash equivalents at end of year . . . . .</b>	<u>\$ 952,619</u>	<u>\$ 679,758</u>	<u>\$ 130,835</u>	<u>\$ 1,763,212</u>	<u>\$ 4,408</u>

- - continued

**CITY OF COSHOCTON, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Service Fund</u>
	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>	
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>					
Operating income (loss) . . . . .	\$ 723,321	\$ (273,762)	\$ 103,997	\$ 553,556	\$ (8,590)
Adjustments:					
Depreciation . . . . .	180,393	197,654	-	378,047	-
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable. . . . .	(48,439)	1,652	(27,626)	(74,413)	-
(Increase) in special assessments . . . . .	(560)	-	-	(560)	-
Decrease in materials and supplies inventory. . . . .	135,818	-	-	135,818	-
Increase (decrease) in accounts payable . . . . .	(12,089)	140,028	(7,478)	120,461	-
Increase (decrease) in accrued wages and benefits . . . . .	(9)	3,985	-	3,976	-
Increase (decrease) in due to other governments. . . . .	1,132	(4,959)	-	(3,827)	-
Increase (decrease) in compensated absences payable . . . . .	(10,236)	11,685	-	1,449	-
(Decrease) in claims payable . . . . .	-	-	-	-	(134,566)
Net cash provided by (used in) operating activities. . . . .	<u>\$ 969,331</u>	<u>\$ 76,283</u>	<u>\$ 68,893</u>	<u>\$ 1,114,507</u>	<u>\$ (143,156)</u>

**Non-cash capital transactions:**

During 2007, the water fund purchased capital assets on account of \$1,470.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF COSHOCTON, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 DECEMBER 31, 2008

	<u>Private- Purpose Trust</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 246,118	\$ 18,065
Cash in segregated accounts . . . . .	-	2,770
Receivables:		
Accounts . . . . .	-	669
Accrued interest. . . . .	2,943	-
	<u>249,061</u>	<u>-</u>
Total assets. . . . .	<u>249,061</u>	<u>\$ 21,504</u>
<b>Liabilities:</b>		
Due to others. . . . .	-	\$ 18,734
Undistributed monies. . . . .	-	2,770
	<u>-</u>	<u>21,504</u>
Total liabilities . . . . .	<u>-</u>	<u>\$ 21,504</u>
<b>Net assets:</b>		
Held in trust for other purposes . . . . .	<u>249,061</u>	
Total net assets . . . . .	<u>\$ 249,061</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF COSHOCTON, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

	<u>Private- Purpose Trust</u>
<b>Additions:</b>	
Interest . . . . .	<u>\$ 7,984</u>
Total additions . . . . .	<u>7,984</u>
 <b>Deductions:</b>	
Benefits. . . . .	<u>12,431</u>
Total deductions . . . . .	<u>12,431</u>
Changes in net assets . . . . .	(4,447)
Net assets at beginning of year . . . . .	<u>253,508</u>
Net assets at end of year . . . . .	<u><u>\$ 249,061</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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## CITY OF COSHOCTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

#### NOTE 1 - DESCRIPTION OF THE CITY

The City of Coshocton (the "City"), established in 1811, is a statutory municipal corporation established and operated under the laws of the State of Ohio. The City is organized as a Mayor-council form of government. Eight council members are each elected for staggered two-year terms. The Mayor is elected for a four year term.

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise funds, subject to this same limitation. The City has elected not to apply these FASB Statements and Interpretations. The City's significant accounting policies are described below.

##### A. Reporting Entity

For financial reporting purposes, the City's BFS include all funds, agencies, boards, commissions, and departments for which the City is financially accountable. Financial accountability, as defined by the GASB, exists if the City appoints a voting majority of an organization's Governing Board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the City. The City may also be financially accountable for governmental organizations with a separately elected Governing Board, a Governing Board appointed by another government, or a jointly appointed Board that is fiscally dependent on the City. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's basic financial statements to be misleading or incomplete.

The City provides various services including fire protection and prevention, water and sewer services, street maintenance and repairs, planning and zoning, building inspection, parks and recreation, refuse collection and general administrative services. The operation of each of these activities is directly controlled by the Council through the budgetary process. None of these services are provided by a legally separate organization; therefore, these operations are included in the primary government.

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 organizations' 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 organizations resources; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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. Based upon the application of these criteria, the City has no component units. The basic financial statements of the reporting entity include only those of the City (the primary government).

## CITY OF COSHOCTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationship to the City:

##### *JOINTLY GOVERNED ORGANIZATIONS*

Ohio Mid-Eastern Governments Association (OMEGA) - The City is associated with the Ohio Mid-Eastern Governments Association, which is a ten county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum and Tuscarawas counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a seventeen member Executive Board comprised of members appointed from each participating county and cities within each county. City membership is voluntary. The mayor of the City of Coshocton serves as the City's representative on the Board. The Board has total control over budgeting, personnel and financial matters. Each member currently pays a per capita membership fee based on the most recent United States census. During 2008, OMEGA received \$1,725 from the City of Coshocton for an annual fee. OMEGA has no outstanding debt. Information can be obtained from 326 Highland Avenue, PO Box 130, Cambridge, Ohio 43725.

Coshocton - Franklin Joint Economic Development District (District) - The City of Coshocton has entered into a contractual agreement effective January 10, 2005 with Franklin Township to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people of the State of Ohio, Coshocton County, the City, the Township and the District. The District is administered by a three to five member Board of Directors consisting of one member representing the City, one member representing the Township and appointed by the Township Trustees, one member who is a business owner in the District representing the business owners in the District, one member who is a person employed within the District and one member selected by unanimous vote of all members appointed at the time. The City nor the Township have any fixed financial obligation set aside for administrative costs and expenses of the Board. The City is responsible for basic administrative costs of the Board. The Board of Directors has entered into an agreement to administer, collect and enforce the income tax on behalf of the District with the City of Coshocton and the City Income Tax Commissioner. Upon termination of the contractual agreement, any property, assets and obligations of the District shall be divided equally between the parties, except that any items of infrastructure constructed by or for any party shall be retained by that party.

Coshocton - Tuscarawas Joint Economic Development District (District) - The City of Coshocton has entered into a contractual agreement effective January 12, 2005 with Tuscarawas Township to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people of the State of Ohio, Coshocton County, the City, the Township and the District. The District is administered by a three to five member Board of Directors consisting of one member representing the City, one member representing the Township, one member who is a business owner in the District representing the business owners in the District, one member who is a person employed within the District, and one member selected by unanimous vote of all members appointed at the time. The City nor the Township have any fixed financial obligation set aside for administrative costs and expenses of the Board. The City is responsible for basic administrative costs of the Board. The Board of Directors has entered into an agreement to administer, collect and enforce the income tax on behalf of the District with the City of Coshocton and City Income Tax Commissioner. Upon termination of the contractual agreement, any property, assets and obligations of the District shall be divided equally between the parties, except that any items of infrastructure constructed by or for any party shall be retained by that party.

## CITY OF COSHOCTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

##### *PUBLIC ENTITY RISK POOL*

The City participates in the Ohio Government Risk Management Plan (OGRMP), an insurance purchasing pool for commercial insurance, as established under Section 2744.08 of the Ohio Revised Code. The board of directors is responsible for collecting premiums, making payments to insurance agents, making payments to insurance companies, depositing appropriate amounts into OGRMP accounts and reimbursing board members for their expenses. The Board of Directors consists of eleven members elected from the participants.

#### **B. Basis of Presentation - Fund Accounting**

The City's BFS consists 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 for fiduciary funds. The activities of the internal service fund are eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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 the 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 business segment or governmental functions are self-financing or draw 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. The internal service fund is presented in a single column on the face of the proprietary fund financial statements. Fiduciary funds are reported by type.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the City's proprietary funds are charges for sales and services. Operating expenses for the enterprise fund include personnel and other expenses related to sewer, water and refuse operations and operating expenses for the internal service fund include claims and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**C. 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 Funds** - Governmental funds are those through which most governmental functions typically 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.

Fire fund - The fire fund accounts for income tax monies collected and used for general fire operations.

Fire capital improvement fund - The fire capital improvement fund accounts for revenues collected through EMS receipts and revenues collected through fire levies to be used for construction and improvements relating to the fire operations.

Other governmental funds of the City are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds; and (c) for grants and other resources whose use is restricted to a particular purpose.

**Proprietary Funds** - Proprietary fund reporting focuses on changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise funds - The enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Sewer fund - This fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

Water fund - This fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.

Solid waste fund - This fund accounts for the operations of providing refuse removal to the residents and commercial users located within the City.

Internal service fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service fund reports the operations of employee health insurance.

## CITY OF COSHOCTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

***Fiduciary Funds*** - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: 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. The City's only trust fund is a private-purpose trust which accounts for the Bachert Trust. The City's agency funds account for monies held for other governments and undistributed assets. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has three agency funds that are used to account for state patrol and bid bonds and court activity.

#### **D. Measurement Focus and Basis of Accounting**

***Government-wide Financial Statements*** - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of 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 on 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. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the financial statements for governmental funds.

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

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

#### **E. 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. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**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.

Nonexchange 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 (See Note 8). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange 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: income tax, state-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, fees and special assessments.

**Unearned Revenue and Deferred Revenue** - Unearned revenue and deferred revenue 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, 2008, but which were levied to finance year 2009 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as unearned revenue. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2008, are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have 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 COSHOCTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

##### F. Budgetary Data

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 appropriations resolution, 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 required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department for all funds. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

***Tax Budget*** - During the first Council meeting in July, the Mayor presents the following year's annual operating budget 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 appropriations measure. On or about January 1, the certificate of estimated resources is amended to include encumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that estimates need to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2008.

***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, department and object 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. The appropriations for a fund may only be modified during the year by an ordinance of Council. The amounts on the budgetary statement reflect the final appropriation amounts, including all amendments and modifications legally enacted by Council.

***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. Encumbrances are carried forward and are not reappropriated as part of the subsequent year appropriations.

## CITY OF COSHOCTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

##### G. 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 financial statements.

During 2008, investments were limited to repurchase agreements, nonnegotiable certificates of deposit and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio).

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements and nonnegotiable certificates of deposits, are reported at cost.

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 shares price which is the price the investment could be sold for on December 31, 2008.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2008 amount to \$28,887 which includes \$31,958 assigned from other City funds.

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are presented in the financial statements as "cash in segregated accounts" since they are not required to be deposited into the City treasury.

For purposes of the statement of cash flows and for presentation on the statement of net assets, investments with an original maturity of three months or less and investments of the cash management pool are considered to be cash equivalents.

An analysis of the City's investment account at year-end is provided in Note 4.

##### H. Inventories of Materials and Supplies

On government-wide financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories of the proprietary funds are expensed when used.



**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**I. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These 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 proprietary 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. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. The City's infrastructure consists of storm sewers, streets, and water and sewer lines. 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 of capital assets is also capitalized for business-type activities.

All reported 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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-type Activities Estimated Lives</u>
Land improvements	25 years	20 years
Buildings and improvements	40 years	10 - 40 years
Furniture and equipment	5 - 15 years	5 - 40 years
Vehicles	5 years	5 - 15 years
Infrastructure	25 years	40 - 50 years

**J. Compensated Absences**

Compensated absences of the City consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the City and the employee.

In conformity with GASB Statement No. 16, "Accounting for Compensated Absences", 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 is based on the sick leave accumulated at December 31 by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future.

**CITY OF COSHOCTON, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments. City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates.

The entire compensated absence liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and 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 and compensated absences 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.

**L. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." On fund financial statements, long-term interfund loans are classified as "advances to/from other funds" on the financial statements and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources. These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances. The internal balance reported on the financial statements relates to the consolidation of the internal service fund with governmental activities.

**M. Fund Balance Reserves**

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or use. The unreserved portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds.

The City reports a reservation of fund balance for amounts representing encumbrances outstanding, materials and supplies, debt service, unclaimed monies and perpetual care in the governmental fund financial statements. Under Ohio law, unclaimed monies are not available for appropriation until they have remained unclaimed for five years. The perpetual care reservation represents the nonexpendable portion of the City's permanent fund which is used for cemetery maintenance.

**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**N. Estimates**

The preparation of the BFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the BFS and accompanying notes. Actual results may differ from those estimates.

**O. 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 borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes consist primarily of permissive motor vehicle license tax, municipal court special projects and the joint economic development district.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of December 31, 2008, net assets restricted by enabling legislation were \$24,900 on the statement of net assets.

**P. Bond Issuance Cost and Accounting Loss**

Bond issuance costs for proprietary fund types are reported as deferred charges and amortized over the term of the bonds. The accounting loss resulting from the advance refunding (the difference between the reacquisition price and the net carrying amount of the debt) is also amortized over the life of the refunded bonds. All items are amortized using the straight-line method since the results are not significantly different from the effective interest method.

**Q. 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 the City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2008.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For 2008, the City has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations" and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the City; however, certain disclosures related to postemployment benefits (see Note 17) have been modified to conform to the new reporting requirements.

**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the City at December 31, 2008.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the City.

**B. Fund balance / net asset deficits**

	Fund balance <u>deficit</u>
General fund	\$ 361,561
<u>Nonmajor fund</u>	
Capital improvement fund	28,901

The general fund did not comply with Ohio State law, which does not permit a cash-basis deficit at year end. The capital improvement fund (a nonmajor governmental fund) did comply with this Ohio State law. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balance for the general fund resulted from a cash-basis deficit (see Note 5). The deficit fund balances in the nonmajor governmental fund resulted from adjustments for accrued liabilities.

At December 31, 2008, the health insurance internal service fund also reported deficit net assets in the amount of \$90,308. Management is currently analyzing the operations of this fund to determine appropriate action to alleviate the deficit.

**C. Compliance**

Contrary to Ohio Revised Code Section 5705.36, appropriations exceeded actual resources in numerous funds.

Contrary to Ohio Revised Code Section 5705.10, various funds had negative fund balances throughout the year.

**NOTE 4 - 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.

## CITY OF COSHOCTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

#### NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

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 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 must exceed 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;
6. The State Treasurer's investment pool, STAR Ohio;
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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 monies deposited with the institution.

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**A. Deposits with Financial Institutions**

At December 31, 2008, the carrying amount of all City deposits was \$1,410,094, exclusive of the \$1,558,000 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2008, \$869,018 of the City’s bank balance of \$1,469,018 was exposed to custodial risk as discussed below, while \$600,000 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the City’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

**B. Investments**

As of December 31, 2008, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
Repurchase agreement	\$ 1,558,000	\$ 1,558,000
STAR Ohio	<u>231,046</u>	<u>231,046</u>
Total	<u>\$ 1,789,046</u>	<u>\$ 1,789,046</u>

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the City’s investment policy limits investment portfolio maturities to five years or less.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the City’s investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment’s counterparty, not in the name of the City. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the qualified trustee.

**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Credit Risk:* STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating.

*Concentration of Credit Risk:* The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
Repurchase Agreement	\$ 1,558,000	87.09%
STAR Ohio	<u>231,046</u>	<u>12.91%</u>
Total	<u>\$ 1,789,046</u>	<u>100.00%</u>

**C. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,410,094
Investments	1,789,046
Cash in segregated accounts	<u>2,770</u>
Total	<u>\$ 3,201,910</u>
<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 1,171,745
Business type activities	1,763,212
Private-purpose trust fund	246,118
Agency funds	<u>20,835</u>
Total	<u>\$ 3,201,910</u>

**NOTE 5 - INTERFUND ACTIVITY**

Due from/to other funds consisted of the following at December 31, 2008, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 15,977
Fire fund	Nonmajor governmental funds	6,521
Nonmajor governmental funds	General fund	398,414
Nonmajor governmental funds	Fire fund	17,565
Nonmajor governmental funds	Nonmajor governmental funds	1,008

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided, (2) transactions are recorded in the accounting system, (3) payments between funds are made and (4) negative cash balances. All interfund balances are due within one year.

## CITY OF COSHOCTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

#### **NOTE 5 - INTERFUND ACTIVITY - (Continued)**

Amounts due from/to other funds between governmental funds are eliminated on the government-wide financial statements.

#### **NOTE 6 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility property taxes became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in 2008 (other than public utility property) represent the collection of 2008 taxes. Tangible personal property taxes received in 2008 were levied after October 1, 2007, on the true value as of December 31, 2007. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, is 6.25% for 2008. This percentage will be reduced to zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2008-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Coshocton. 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, 2008 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2008 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.



**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 6 - PROPERTY TAXES - (Continued)**

The full tax rate for all City operations for the year ended December 31, 2008 was \$2.80 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real property tax	\$175,000,890
Public utility tangible personal property	<u>5,684,780</u>
Total assessed valuation	<u>\$180,685,670</u>

**NOTE 7 - RECEIVABLES**

Receivables at December 31, 2008, consisted of taxes, accounts (billings for user charged services), accrued interest, special assessments and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as “due from other governments” on the BFS. Receivables have been recorded to the extent that they are measurable at December 31, 2008, as well as intended to finance 2008 operations.

A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental activities:**

Income taxes	\$912,689
Real and other taxes	494,008
Accounts	73,994
Accrued interest	3,965
Special assessments	7,897
Due from other governments	723,736

**Business-type activities:**

Accounts	874,974
Special assessments	7,085

Receivables have been disaggregated on the face of the BFS. The only receivable not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessment. The amount of delinquent special assessments at December 31, 2008 was \$14,982.

**NOTE 8 - MUNICIPAL INCOME TAXES**

The City levies a municipal income tax of one and a half percent on all net profits and all salaries, wages commissions and other compensation earned within the City as well as on incomes of residents earned outside of the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality to a maximum of the total amount assessed.

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

Income tax revenues are received by the general fund, street special revenue fund, fire special revenue fund, JEDD fund, fire capital projects fund, capital improvement (nonmajor governmental fund) and fire debt service fund.

**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 9 - LODGING TAX**

On February 27, 2006 City Council passed a 3% lodging tax. This allows the City to tax all transactions by which lodging in a hotel, motel, rooming house and other lodging accommodations are furnished to transit guests. 80% of the revenues from this tax are restricted to the Coshocton County Convention and Visitors Bureau while the remaining 20% of collections remains in the general fund.

**NOTE 10 - CAPITAL ASSETS**

A. Governmental activities capital asset activity for the year ended December 31, 2008, was as follows:

<b><u>Governmental activities:</u></b>	<u>Balance</u> <u>12/31/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/08</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 960,438	\$ -	\$ -	\$ 960,438
Total capital assets, not being depreciated	<u>960,438</u>	<u>-</u>	<u>-</u>	<u>960,438</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	75,043	-	-	75,043
Buildings and improvements	3,033,003	-	-	3,033,003
Furniture and equipment	841,690	-	-	841,690
Vehicles	1,304,881	692,168	(9,500)	1,987,549
Infrastructure	<u>7,535,477</u>	<u>-</u>	<u>-</u>	<u>7,535,477</u>
Total capital assets, being depreciated	<u>12,790,094</u>	<u>692,168</u>	<u>(9,500)</u>	<u>13,472,762</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(6,267)	(3,342)	-	(9,609)
Buildings and improvements	(1,221,003)	(78,259)	-	(1,299,262)
Furniture and equipment	(638,251)	(50,066)	-	(688,317)
Vehicles	(900,848)	(50,639)	9,500	(941,987)
Infrastructure	<u>(5,061,821)</u>	<u>(239,188)</u>	<u>-</u>	<u>(5,301,009)</u>
Total accumulated depreciation	<u>(7,828,190)</u>	<u>(421,494)</u>	<u>9,500</u>	<u>(8,240,184)</u>
Total capital assets, being depreciated, net	<u>4,961,904</u>	<u>270,674</u>	<u>-</u>	<u>5,232,578</u>
Governmental activities capital assets, net	<u>\$ 5,922,342</u>	<u>\$ 270,674</u>	<u>\$ -</u>	<u>\$ 6,193,016</u>

**CITY OF COSHOCTON, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 10 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental activities as follows:

**Governmental activities:**

General government	\$ 27,308
Security of persons and property	112,843
Public health and welfare	6,309
Transportation	263,587
Leisure time activity	<u>11,447</u>
Total depreciation expense - governmental activities	<u>\$ 421,494</u>

**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 10 - CAPITAL ASSETS - (Continued)**

**B.** Business-type activities capital asset activity for the year ended December 31, 2008, was as follows:

<u><b>Business-type activities:</b></u>	Balance <u>12/31/07</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/08</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 34,500	\$ -	\$ -	\$ 34,500
Construction in progress	<u>15,860,973</u>	<u>1,164,201</u>	<u>(2,469,000)</u>	<u>14,556,174</u>
Total capital assets, not being depreciated	<u>15,895,473</u>	<u>1,164,201</u>	<u>(2,469,000)</u>	<u>14,590,674</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	46,852	-	-	46,852
Buildings and improvements	5,568,831	1,500,000	-	7,068,831
Furniture and equipment	3,461,120	969,000	-	4,430,120
Vehicles	388,134	-	(12,000)	376,134
Infrastructure	<u>11,967,727</u>	<u>-</u>	<u>-</u>	<u>11,967,727</u>
Total capital assets, being depreciated	<u>21,432,664</u>	<u>2,469,000</u>	<u>(12,000)</u>	<u>23,889,664</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(39,405)	(1,489)	-	(40,894)
Buildings and improvements	(3,097,287)	(176,211)	-	(3,273,498)
Furniture and equipment	(3,333,332)	(57,040)	-	(3,390,372)
Vehicles	(299,842)	(28,155)	12,000	(315,997)
Infrastructure	<u>(10,385,364)</u>	<u>(115,152)</u>	<u>-</u>	<u>(10,500,516)</u>
Total accumulated depreciation	<u>(17,155,230)</u>	<u>(378,047)</u>	<u>12,000</u>	<u>(17,521,277)</u>
Total capital assets, being depreciated, net	<u>4,277,434</u>	<u>2,090,953</u>	<u>-</u>	<u>6,368,387</u>
Business-type activities capital assets, net	<u>\$ 20,172,907</u>	<u>\$ 3,255,154</u>	<u>\$ (2,469,000)</u>	<u>\$ 20,959,061</u>

**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 10 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to the enterprise funds:

**Business-type activities:**

Water	\$ 180,393
Sewer	<u>197,654</u>
Total depreciation expense - business-type activities	<u>\$ 378,047</u>

**NOTE 11 - CAPITALIZED LEASE - LESSEE DISCLOSURE**

In 2006, the City entered into a capital lease for a new fire truck. This lease meets 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 fund financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of vehicles have been capitalized in the amount of \$400,000. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2008 was \$80,000, leaving a current book value of \$320,000. A corresponding liability was recorded in the government-wide financial statements. Principal payments in 2008 totaled \$236,143 paid by the fire capital improvement fund (a nonmajor governmental fund). There are no future capital lease obligations as of December 31, 2008.

**NOTE 12 - OTHER EMPLOYEE BENEFITS - COMPENSATED ABSENCES**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn ten to thirty days of vacation per year, depending upon length of service. Earned, unused vacation time is paid upon termination of employment. Employees earn sick leave at different rates depending upon length of service and type of employment. Sick leave accrual is continuous, without limit. Upon retirement or death, an employee can be paid a maximum of 960 hours of accumulated, unused sick leave. As of December 31, 2008, the liability for unpaid compensated absences was \$926,795 for the entire City, which is reported as a fund liability and/or on the government-wide financial statements as applicable.

**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 13 - LONG-TERM OBLIGATIONS**

During 2008, the following changes occurred in the City's long-term obligations:

	Balance			Balance	Amounts
	<u>12/31/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/08</u>	<u>Due in</u>
<b><u>Governmental activities:</u></b>					<u>One Year</u>
<b><u>General obligation bonds:</u></b>					
1998 Fire Station					
various interest rates	\$ 315,000	\$ -	\$ (155,000)	\$ 160,000	\$ 160,000
Total - bonds	<u>315,000</u>	<u>-</u>	<u>(155,000)</u>	<u>160,000</u>	<u>160,000</u>
<b><u>Other long-term obligations:</u></b>					
Compensated absences	710,826	9,133	(109,726)	610,233	95,800
Note payable	-	600,000	-	600,000	65,279
Capital lease obligation	<u>236,143</u>	<u>-</u>	<u>(236,143)</u>	<u>-</u>	<u>-</u>
Total other long-term obligations	<u>946,969</u>	<u>609,133</u>	<u>(345,869)</u>	<u>1,210,233</u>	<u>161,079</u>
Total governmental activities					
long-term obligations	<u>\$ 1,261,969</u>	<u>\$ 609,133</u>	<u>\$ (500,869)</u>	<u>\$ 1,370,233</u>	<u>\$ 321,079</u>

On December 2, 2008, the City entered a \$600,000 eight year note to purchase a new fire truck. This note bears a 3.930% interest rate and the final payment is due December 2, 2016. Payments of principal and interest on the note are made from the fire capital improvement fund (a nonmajor governmental fund).

**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

<b><u>Business-type activities:</u></b>	<u>Balance</u>			<u>Balance</u>	<u>Amounts</u>
	<u>12/31/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/08</u>	<u>Due in</u>
					<u>One Year</u>
<u>Revenue Bonds</u>					
2001 Sewer System Improvement					
3.25% to 4.25%	\$ 1,200,000	\$ -	\$ (225,000)	\$ 975,000	\$ 230,000
Total - revenue bonds	<u>1,200,000</u>	<u>-</u>	<u>(225,000)</u>	<u>975,000</u>	<u>230,000</u>
<u>OWDA loans</u>					
OWDA loan 3.5%	8,982,489	33,632	(362,553)	8,653,568	362,553
OWDA loan 3%	<u>5,985,144</u>	<u>1,130,569</u>	<u>-</u>	<u>7,115,713</u>	<u>-</u>
Total OWDA loans	<u>14,967,633</u>	<u>1,164,201</u>	<u>(362,553)</u>	<u>15,769,281</u>	<u>362,553</u>
<u>Other long-term obligations</u>					
Compensated absences	<u>315,113</u>	<u>31,597</u>	<u>(30,148)</u>	<u>316,562</u>	<u>54,620</u>
Total other long-term obligations	<u>315,113</u>	<u>31,597</u>	<u>(30,148)</u>	<u>316,562</u>	<u>54,620</u>
Total business-type activities					
long-term obligations	<u>\$ 16,482,746</u>	<u>\$ 1,195,798</u>	<u>\$ (617,701)</u>	17,060,843	<u>\$ 647,173</u>
Less: unamortized deferred charges on refunding				<u>(52,794)</u>	
Total reported on the statement of net assets				<u>\$17,008,049</u>	

The sewer revenue bonds are being paid from operating revenues collected and receipted into the sewer enterprise fund.

General obligation bonds are being paid from the municipal income tax.

Compensated absences are reported in the statement of net assets and will be paid from the fund from which the employee's salaries are paid which will primarily be the general fund, street fund (a nonmajor governmental fund), home health fund (a nonmajor governmental fund), sewer fund and water fund.

On December 1, 1999, the City issued \$1,480,000 in general obligation bonds with interest rates varying from 3.2 percent to 6.5 percent. Proceeds were used to retire \$1,355,000 of outstanding 1989 fire station general obligation bonds.

**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

On September 1, 2001, the City issued \$2,570,000 in sewer system refunding bonds, Series 2001, with an average interest rate of 3.67 percent to advance refund \$2,325,000 of outstanding Series 1992 bonds with an average interest rate of 6.3 percent. The net proceeds of \$2,483,386 (after payment of \$78,014 in underwriting fees and \$8,600 for bond insurance premium) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 1992 bonds. As a result, the Series 1992 bonds are considered to be defeased and the liability for those bonds has been removed from the sewer system fund. In December 2002, the refunded bonds were paid in full by the irrevocable trust.

The City has pledged future sewer customer revenues, net of specified operating expenses, to repay \$2,570,000 in Series 2001 sewer system refunding revenue bonds. Proceeds of the sewer system refunding revenue bonds were used to refund the outstanding balance of previously issued Series 1992 sewer system revenue bonds. The Series 2001 sewer system refunding revenue bonds are payable solely from sewer customer net revenues and are payable through 2012. Annual principal and interest payments on the bonds are expected to require less than 84.50 percent of net revenues. The total principal and interest remaining to be paid on the Series 2001 sewer system refunding revenue bonds is \$975,000 and \$102,458, respectively. Principal and interest paid for the current year and total customer net revenues were \$273,270 and \$323,392 respectively.

In 2004, the City entered into a debt financing arrangement through the OWDA to fund water treatment plant improvements. The amounts due to the OWDA are payable solely from water revenues. The loan agreement functions similar to a line-of-credit agreement. At December 31, 2007, the City has outstanding borrowings of \$8,653,568. As of December 31, 2008, the future annual debt service principal and interest payments for the loan is unavailable because monies related to the project are still being disbursed and the loan is not finalized.

In 2006, the City entered into a debt financing arrangement through the OWDA to fund ethanol plant improvements. The amounts due to the OWDA are payable solely from sewer revenues. The loan agreement functions similar to a line-of-credit agreement. At December 31, 2008, the City has outstanding borrowings of \$7,115,713. As of December 31, 2008, the future annual debt service principal and interest payments for the loan is unavailable because monies related to the project are still being disbursed and the loan is not finalized.

As of December 31, 2008, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$19,113,384. Principal and interest requirements to retire the City's bonds outstanding at December 31, 2008 were:

Year Ending	General Obligation Bonds			Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
December 31,						
2009	\$ 160,000	\$ 6,800	166,800	\$ 230,000	\$ 39,720	\$ 269,720
2010	-	-	-	240,000	30,750	270,750
2011	-	-	-	250,000	21,150	271,150
2012	-	-	-	255,000	10,838	265,838
Total	<u>\$ 160,000</u>	<u>\$ 6,800</u>	<u>\$ 166,800</u>	<u>\$ 975,000</u>	<u>\$ 102,458</u>	<u>\$ 1,077,458</u>



**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 14 - SHORT-TERM OBLIGATIONS**

A summary of the short-term note transactions for the year ended December 31, 2008, follows:

	<u>Outstanding</u> <u>12/31/2007</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding</u> <u>12/31/2008</u>
<b><u>Business-Type Activities:</u></b>				
Water Note - 4.25%	\$ 920,000	\$ -	\$ (920,000)	\$ -
Water Note - 2.75%	<u>-</u>	<u>850,000</u>	<u>-</u>	<u>850,000</u>
 Total	 <u>\$ 920,000</u>	 <u>\$ 850,000</u>	 <u>\$ (920,000)</u>	 <u>\$ 850,000</u>

The water notes are backed by the full faith and credit of the City of Coshocton, and mature within one year. The water note outstanding at December 31, 2008 was issued on February 19, 2008 and matures February 17, 2009.

**NOTE 15 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During 2008, the City contracted for various types of insurance as follows:

<u>Company</u>	<u>Type</u>	<u>Coverage</u>
Rinehart, Walters, Danner & Associates	Public Officials Liability	\$ 1,000,000
	Umbrella Liability	1,000,000
	Comprehensive Crime	75,000
	Commercial Inland Marine	1,243,446
	Wrongful Acts	1,000,000
	EDP	219,367
	Property	28,916,047
	General Fire Liability/Rescue	1,420,226
	Automobile	1,000,000
	General Liability	1,000,000

Settled claims have not exceeded this coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

The City, together with other government entities, participates in the Ohio Government Risk Management Plan (Plan), an insurance purchasing pool, for commercial insurance coverage. The City pays an annual premium to the Plan for its general insurance coverage. The agreement for the formation of the Plan provides that the Plan will be self-sustaining through member premiums and will insure through commercial companies to pay claims. The Plan is intended to achieve lower insurance rates for the participants. Under this Plan, the Ohio Government Risk Management's Board of Directors contracts with Hylant Administrative Services, Inc. to act as the agent and coordinate the pool. Hylant Administrative Services, Inc. then contracts with various insurance companies to cover losses.

**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 15 - RISK MANAGEMENT - (Continued)**

The City participates in the Ohio Municipal League Group Rating Plan (OML) for workers' compensation. The intent of the OML is to achieve the benefit of a reduced premium for the participants, foster safer working environments and foster cost-effective claims management skills by virtue of its grouping and representation with other participants in the OML. The workers' compensation experience of the participating cities is calculated as one experience and a common premium rate is applied to all cities in the OML. Each participant pays its workers' compensation premium to the State based on the rate for the OML rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the OML. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the OML. Participation in the OML is limited to cities that can meet the OML's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the OML.

The City manages the hospital/medical, dental and life insurance benefits for its employees on a self-insured basis through an internal service fund. A third party administrator, Aultra Administrative Services, processes and pays the claims. An excess coverage insurance (stop loss) policy covers claims in excess of \$100,000 per employee, per year.

The claims liability of \$94,716 reported in the internal service fund at December 31, 2008, was estimated based on billings in January through May 2008 and is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amount in 2008 and 2007 were:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2008	\$ 229,282	\$ 1,137,141	\$ (1,271,707)	\$ 94,716
2007	375,574	1,040,961	(1,187,253)	229,282

**NOTE 16 - DEFINED BENEFIT PENSION PLAN**

**A. Ohio Public Employees Retirement System**

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

## CITY OF COSHOCTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

#### **NOTE 16 - PENSION PLANS - (Continued)**

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2008, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2008 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.10%.

The City's contribution rate for 2008 was 14.00%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.40% of covered payroll. For 2008, a portion equal to 7.00% of covered payroll was allocated to fund the post-employment health care plan.

The City's contribution rate for pension benefits for 2008 was 7.00%, except for those plan members in law enforcement and public safety. For those classifications, the City's pension contributions were 10.40% of covered payroll. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2008, 2007, and 2006 were \$164,443, \$227,900 and \$238,220, respectively; 92.26% has been contributed for 2008 and 100% has been contributed for 2007 and 2006.

#### **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 statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2008, the portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$137,375 for the year ended December 31, 2008, \$145,792 for the year ended December 31, 2007 and 136,952 for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 68.04% has been contributed for 2008 with the remainder being reported as a liability in the respective funds.

## CITY OF COSHOCTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

#### NOTE 17 - POSTRETIREMENT BENEFIT PLANS

##### A. Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB 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 healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, local government employers contributed 14.00% of covered payroll (17.40% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The amount of the employer contributions which was allocated to fund post-employment healthcare for 2008 was 7.00% of covered payroll.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006 were \$164,443, \$150,600 and \$116,520, respectively; 92.26% has been contributed for 2008 and 100% has been contributed for 2007 and 2006.

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

**CITY OF COSHOCTON, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 17 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2008, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$56,324 for the year ended December 31, 2008, \$56,979 for the year ended December 31, 2007 and \$65,341, for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 69.49% has been contributed for 2008.

**CITY OF COSHOCTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 18 - BUDGETARY BASIS OF ACCOUNTING**

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), 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 (non-GAAP budgetary basis) presented for the general fund and street fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP);
2. Expenditures/expenses and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP);
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP); and,
4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for all governmental funds for which a budgetary basis statement is presented:

**Net Change in Fund Balance**

	General	Fire
Budget basis	\$ (434,895)	\$ (19,174)
Net adjustment for revenue accruals	(163,984)	(23,596)
Net adjustment for expenditure accruals	(16,498)	10,798
Adjustment for encumbrances	5,443	-
GAAP basis	<u>\$ (609,934)</u>	<u>\$ (31,972)</u>

**NOTE 19 - CONTINGENCIES**

**A. Grants**

The City receives significant financial assistance from numerous 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 effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2008.

**CITY OF COSHOCTON, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 19 - CONTINGENCIES - (Continued)**

**B. Litigation**

The City is currently not involved in litigation that the City's legal counsel anticipates a loss.

**NOTE 20 - SUBSEQUENT EVENTS**

The City issued \$750,000 in water system improvement notes on February 12, 2009 to mature February 12, 2010, bearing a 6.5% interest rate.

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

City of Coshocton  
Coshocton County  
760 Chestnut Street  
Coshocton, Ohio 43812

To the Honorable Mayor and City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Coshocton, Coshocton County, Ohio, (the City) as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 21, 2009. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

We consider Finding Number 2008-003 described in the accompanying Schedule of Findings to be significant deficiency in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiency described above is also a material weakness.

We also noted certain matters related to internal control over financial reporting that we have reported to the City's management in a separate letter dated August 21, 2009.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as items 2008-001 and 2008-002.

We also noted instances of noncompliance or other matters that we reported to the City's management in a separate letter dated August 21, 2009.

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

We intend this report solely for the information and use of the audit committee, management and the City Council. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

August 21, 2009

CITY OF COSHOCTON  
COSHOCTON COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2008

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

FINDING NUMBER 2008-001

Material Citation

**Ohio Rev. Code Section 5705.10** requires that monies paid into any fund be must be used only for the purposes for which such fund has been established. A negative fund balance indicates that money from one fund was used to cover the expenses of another fund:

Throughout 2008, certain funds incurred negative cash fund balances as follows:

<u>Fund</u>	<u>Variance</u>
Fund 101 - General Fund	(\$23,358) to (\$400,665)
Fund 110 - Fire Fund	(17,565) to (96,741)
Fund 201 - Street Fund	(19,288) to (61,573)
Fund 208 - CDBG / State Grant Fund	(1,776)
Fund 401 - Capital Improvement	(1,008)

Negative cash fund balances are an indication that revenues from other sources were used to pay obligations of those funds. Additionally, money spent for other purposes other than in grant agreements could result in the loss of future grant awards. Fund activity should be monitored to prevent future expenditures in excess of available resources. In those cases where additional funds are required, the resources should be transferred or advanced to the fund in accordance with Ohio Revised Code.

We also reported this matter in our audit of the December 31, 2007 financial statements.

**Officials' Response:** The negative cash balances of several funds have been caused by the dramatic drop in cash income into these funds during the year. The City planned on at least as much income as the year before but the sudden decrease was unexpected. Although the expenses for these funds are stable, the expected income did not come in to these funds.

FINDING NUMBER 2008-002

Material Citation

**Ohio Rev. Code Section 5705.36** indicates that on or about the first day of each fiscal year, the City Auditor is to certify the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year. In addition, an increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

**FINDING NUMBER 2008-002 (Continued)**

At December 31, 2008, the City's appropriations exceeded actual resources as follows:

<b>Fund</b>	<b>Appropriations</b>	<b>Actual Resources</b>	<b>Amount Exceeded</b>
Fund 101 - General Fund	\$5,111,826	\$4,491,703	(\$620,123)
Fund 110 - Fire Fund	1,100,769	1,070,077	(30,692)
Fund 201 - Street Waiver	917,882	841,073	(76,809)
Fund 707 - Ethanol Plant Fund	1,651,502	1,275,260	(376,242)
Fund 805 - Insurance Escrow	1,465,100	1,413,426	(51,674)

As a result of the City not obtaining a decreased amended certificate of estimated resources in the above funds, the City did not pass a decreased amended appropriation measure in the above funds, which in turn resulted in actual disbursements exceeding total actual revenues plus beginning fund balance as follows:

<b>Fund</b>	<b>Actual Disbursements Less Prior Year Encumbrances</b>	<b>Actual Revenue Plus Beginning Unencumbered Balance</b>	<b>Variance</b>
Fund 101 – General	\$4,892,368	\$4,491,703	(\$400,665)
Fund 110 – Fire Fund	1,087,642	1,070,077	(17,565)

The City Auditor should obtain a decreased amended certificate of estimated resources upon determining that a decreased amount of revenue will be collected. City Council should pass a decreased appropriation measure when a decreased amended certificate of estimated resources is obtained. This will help to decrease the chances that the City overspends its resources.

We also reported a similar matter in our audit of the December 31, 2007 financial statements.

**Officials' Response:** During the year the City was expecting the income to level out to cover the stable expenses of these funds. By the time the income does come in it is too late to decrease appropriations because the expense had to be paid anyway. Therefore, a decreased amended certificate of estimated resources would be too late to do any good.

### FINDING NUMBER 2008-003

#### Material Weakness:

##### Utility Accounts Receivable and Delinquencies

The City should ensure that the Utility Procedures Policy is followed to ensure that all revenue due the City is being collected.

During testing of Utility Accounts Receivable for the Utility Department, we noted the following issues:

- Certain "T" accounts totaling \$19,997 were not disclosed on the Utility Billing Delinquent Journal. These accounts represent utility customers who had their water shut-off due to bankruptcy or final meter readings. However, the City Utility Department continues to charge the debt reduction surcharge to these "T" accounts with no evidence that collection is being pursued.
- As of December 31, 2008, utility delinquents reported on the City's financial statements totaled \$269,506. This amount is comprised of delinquent residential, business, and rental properties. During the testing of certain delinquent utility accounts, 10 out of 10 delinquent rental properties selected for testing were not terminated or shut-off pursuant to the City's "Water Shut-Off Procedure." Total delinquencies on these accounts tested equaled \$39,681. It was also noted during testing that the City generally applies the "Water Shut-Off Procedure" policy to residential delinquent accounts, which is inconsistent with the delinquent rental properties.
- While the City's Utility Department generates a Utility Billing Delinquent Journal, evidence reviewed does not support this report for completeness and accuracy.

As a result, water utility revenues and water utility receivables could be significantly understated or overstated on the City's financial statements. City Council should apply the current "Water Shut-Off Procedure" policy consistently to all utility customers. Additionally, the City's Utility Department needs to review delinquencies for inclusion on the financial statements. If there are delinquencies found that are not probable of collection, then those delinquencies need written-off pursuant to City policy. This will help ensure the City is attempting to collect all water utility delinquencies as well as helping ensure water utility receivables are accurately stated on the City's financial statements.

**Officials' Response:** In regard to this finding, it has been the unwritten policy for many years and different administrations, to follow the recommendation of our Law Director's office.

It has been at their discretion and policy on what accounts they recommend for shut-off and court action based on different factors including a past law suit against the City, bankruptcies and pending negotiations.

We as a City will review this policy in relation to State recommendations.

**CITY OF COSHOCTON  
COSHOCTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain:</b></i>
2007-001	Financial Reporting - errors were noted in the City's financial statements and GAAP conversion that required audit adjustments and reclassifications	Yes	Corrected.
2007-002	<b>Ohio Rev. Code Section 5705.41(D)</b> – 30% of the expenditures were not certified prior to incurring the obligation.	Yes	Corrected.
2007-003	<b>Ohio Rev. Code Section 5705.41 (B)</b> – expenditures exceeded appropriations in the various funds.	Yes	Corrected.



Mary Taylor, CPA  
Auditor of State

**CITY OF COSHOCTON**

**COSHOCTON 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  
OCTOBER 8, 2009**