



Dave Yost • Auditor of State

**CITY OF COSHOCTON
COSHOCTON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	19
Statement of Activities.....	20
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	22
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	26
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund.....	30
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) Fire Fund.....	31
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) Street Fund.....	32
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) NSP Fund.....	33
Statement of Net Assets – Proprietary Funds.....	34
Statement of Revenues, Expenditures and Changes in Net Assets Proprietary Funds.....	35
Statement of Cash Flows – Proprietary Funds.....	36
Statement of Fiduciary Net Assets – Fiduciary Funds.....	38
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.....	39
Notes to the Basic Financial Statements.....	40
Federal Awards Receipts and Expenditures Schedule.....	71
Notes to the Federal Awards Receipts and Expenditures Schedule.....	72
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	73

**CITY OF COSHOCTON
COSHOCTON COUNTY**

TABLE OF CONTENTS (CONTINUED)

TITLE	PAGE
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance Required by OMB Circular A-133	75
Schedule of Findings.....	77
Schedule of Prior Audit Findings.....	79



Dave Yost • 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, 2010, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as described in the third paragraph, 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.

We were unable to obtain evidence to support the Materials and Supplies Inventory for the Street Fund totaling \$73,166, and therefore unable to form an opinion on such.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence supporting the Materials and Supplies Inventory in the Street Fund, as described in the previous paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and Street Fund, of the City of Coshocton, Coshocton County, Ohio, as of December 31, 2010 and the respective changes in financial position thereof and the respective budgetary comparison for the Street Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, General Fund, Fire Fund, NSP Fund, Water Fund, Sewer Fund, Solid Waste Fund and the aggregate remaining fund information, for the City of Coshocton, Coshocton County, Ohio, as of December 31, 2010 and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General, Fire, and NSP 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 September 2, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

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

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule is required by U.S Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations* is not a required part of the basic financial statements. The Federal Awards Receipts and Expenditures Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

September 2, 2011

CITY OF COSHOCTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010 (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, 2010. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

- The total net assets of the City increased \$550,097. Net assets of governmental activities increased \$250,617 or 2.95% above 2009 and net assets of business-type activities increased \$299,480 or 4.19% over 2009.
- General revenues accounted for \$5,808,574 or 64.29% of total governmental activities revenue. Program specific revenues accounted for \$3,226,020 or 35.71% of total governmental activities revenue.
- The City had \$8,783,977 in expenses related to governmental activities; \$3,226,020 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$5,557,957 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$5,808,574.
- The general fund had revenues and other financing sources of \$4,205,237 in 2010. This represents a decrease of \$930,013 from 2009 revenues. The expenditures of the general fund, which totaled \$4,159,620 in 2010, decreased \$403,823 from 2009. The net increase in fund balance for the general fund was \$45,617 or 21.70%.
- The fire fund had revenues of \$1,006,273 in 2010. The expenditures of the fire fund, totaled \$1,010,329 in 2010. The net decrease in fund balance for the fire fund was \$4,056.
- The street fund had revenues of \$1,027,231 in 2010. The expenditures of the street fund, totaled \$761,712 in 2010. The net increase in fund balance for the street fund was \$265,519.
- The NSP fund had revenues of \$997,715 in 2010. The expenditures of the NSP fund, totaled \$917,861 in 2010. The net increase in fund balance for the NSP fund was \$79,854.
- Net assets for the business-type activities, which are made up of the water, sewer, and solid waste enterprise funds, increased in 2010 by \$299,480.
- The water fund, a major enterprise fund, had operating revenues of \$3,548,086 in 2010 and operating and nonoperating expenses of \$3,172,217 in 2010. The net assets of the water fund increased \$375,869 or 8.37% from 2009.
- The sewer fund, a major enterprise fund, had operating revenues of \$1,702,647 in 2010 and operating and nonoperating expenses of \$1,775,478 in 2010. The net assets of the sewer fund decreased \$72,831 or 3.33% from 2009.
- The solid waste fund, a major enterprise fund, had operating revenues of \$825,081 in 2010 and operating expenses of \$854,181 in 2010. The net assets of the solid waste fund decreased \$29,100 or 6.02% from 2009.

CITY OF COSHOCTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010 (UNAUDITED)

- In the general fund, the actual revenues and other financing sources came in \$272,151 lower than they were in the final budget and actual expenditures were \$284,808 less than the amount in the final budget. Budgeted revenues and other financing sources increased \$100,000 from the original to the final budget due primarily to an increase in projected income taxes and intergovernmental revenue. Budgeted expenditures increased \$85,896 from the original to the final budget due primarily to an increase in the estimated cost of general government expenditures.

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 2010?" 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 solid waste 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.

CITY OF COSHOCTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010 (UNAUDITED)

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.

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 focus 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, the fire fund, the street fund and the NSP 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 21-32 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 solid waste 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 33-36 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 37-38 of this report.

CITY OF COSHOCTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)

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 40-69 of this report.

Government-Wide Financial Analysis

The table below provides a summary of the City's net assets for 2010 and 2009:

	Net Assets					
	Governmental	Business-type	Governmental	Business-type	2010	2009
	Activities 2010	Activities 2010	Activities 2009	Activities 2009	Total	Total
<u>Assets</u>						
Current and other assets	\$ 4,353,310	\$ 4,219,418	\$ 4,002,074	\$ 3,696,773	\$ 8,572,728	\$ 7,698,847
Capital assets	<u>6,311,467</u>	<u>20,215,306</u>	<u>6,528,330</u>	<u>21,150,021</u>	<u>26,526,773</u>	<u>27,678,351</u>
Total assets	<u>10,664,777</u>	<u>24,434,724</u>	<u>10,530,404</u>	<u>24,846,794</u>	<u>35,099,501</u>	<u>35,377,198</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	916,426	16,151,709	969,145	16,735,458	17,068,135	17,704,603
Other liabilities	<u>1,010,480</u>	<u>836,503</u>	<u>1,074,005</u>	<u>964,304</u>	<u>1,846,983</u>	<u>2,038,309</u>
Total liabilities	<u>1,926,906</u>	<u>16,988,212</u>	<u>2,043,150</u>	<u>17,699,762</u>	<u>18,915,118</u>	<u>19,742,912</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	6,311,467	3,693,446	6,204,755	3,923,517	10,004,913	10,128,272
Restricted	2,845,828	-	2,224,188	-	2,845,828	2,224,188
Unrestricted (deficit)	<u>(419,424)</u>	<u>3,753,066</u>	<u>58,311</u>	<u>3,223,515</u>	<u>3,333,642</u>	<u>3,281,826</u>
Total net assets	<u>\$ 8,737,871</u>	<u>\$ 7,446,512</u>	<u>\$ 8,487,254</u>	<u>\$ 7,147,032</u>	<u>\$ 16,184,383</u>	<u>\$ 15,634,286</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2010, the City's assets exceeded liabilities by \$16,184,383. At year-end, net assets were \$8,737,871 and \$7,446,512 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 75.58% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2010, were \$6,311,467 and \$3,693,446 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.

CITY OF COSHOCTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)**

A portion of the City's net assets, \$2,845,828, 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 \$419,424.

The table below shows the changes in net assets for 2010 and 2009.

	Change in Net Assets					
	Governmental Activities <u>2010</u>	Business-type Activities <u>2010</u>	Governmental Activities <u>2009</u>	Business-type Activities <u>2009</u>	2010 <u>Total</u>	2009 <u>Total</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,325,190	\$ 6,075,814	\$ 1,264,146	\$ 5,884,612	\$ 7,401,004	\$ 7,148,758
Operating grants and contributions	1,880,128	-	1,523,407	-	1,880,128	1,523,407
Capital grants and contributions	<u>20,702</u>	-	-	-	<u>20,702</u>	-
Total program revenues	<u>3,226,020</u>	<u>6,075,814</u>	<u>2,787,553</u>	<u>5,884,612</u>	<u>9,301,834</u>	<u>8,672,165</u>
General revenues:						
Property taxes	430,066	-	520,121	-	430,066	520,121
Income taxes	3,907,082	-	3,858,125	-	3,907,082	3,858,125
Lodging tax	76,564	-	83,806	-	76,564	83,806
JEDD revenue	187,056	-	105,656	-	187,056	105,656
Unrestricted grants and entitlements	978,348	-	1,674,552	-	978,348	1,674,552
Investment earnings	6,221	-	2,839	-	6,221	2,839
Miscellaneous	<u>223,237</u>	-	<u>492,959</u>	-	<u>223,237</u>	<u>492,959</u>
Total general revenues	<u>5,808,574</u>	-	<u>6,738,058</u>	-	<u>5,808,574</u>	<u>6,738,058</u>
Total revenues	<u>9,034,594</u>	<u>6,075,814</u>	<u>9,525,611</u>	<u>5,884,612</u>	<u>15,110,408</u>	<u>15,410,223</u>
Expenses:						
General government	1,916,884	-	2,442,496	-	1,916,884	2,442,496
Security of persons and property	3,540,375	-	2,825,141	-	3,540,375	2,825,141
Public health and welfare	1,197,119	-	1,154,031	-	1,197,119	1,154,031
Transportation	777,597	-	1,152,464	-	777,597	1,152,464
Community environment	15,476	-	16,967	-	15,476	16,967
Leisure time activity	178,364	-	134,057	-	178,364	134,057
Urban redevelopment and housing	1,147,454	-	584,409	-	1,147,454	584,409
Interest and fiscal charges	10,708	-	29,172	-	10,708	29,172
Water	-	3,155,142	-	2,402,958	3,155,142	2,402,958
Sewer	-	1,767,011	-	1,209,405	1,767,011	1,209,405
Solid waste	-	854,181	-	712,491	854,181	712,491
Total expenses	<u>8,783,977</u>	<u>5,776,334</u>	<u>8,338,737</u>	<u>4,324,854</u>	<u>14,560,311</u>	<u>12,663,591</u>
Change in net assets	250,617	299,480	1,186,874	1,559,758	550,097	2,746,632
Net assets at beginning of year	<u>8,487,254</u>	<u>7,147,032</u>	<u>7,300,380</u>	<u>5,587,274</u>	<u>15,634,286</u>	<u>12,887,654</u>
Net assets at end of year	<u>\$ 8,737,871</u>	<u>\$ 7,446,512</u>	<u>\$ 8,487,254</u>	<u>\$ 7,147,032</u>	<u>\$ 16,184,383</u>	<u>\$ 15,634,286</u>

CITY OF COSHOCTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)**

Governmental Activities

Governmental activities net assets increased \$250,617 in 2010. This increase is a result of increasing operating grants contributions and income taxes versus amounts reported in the prior year.

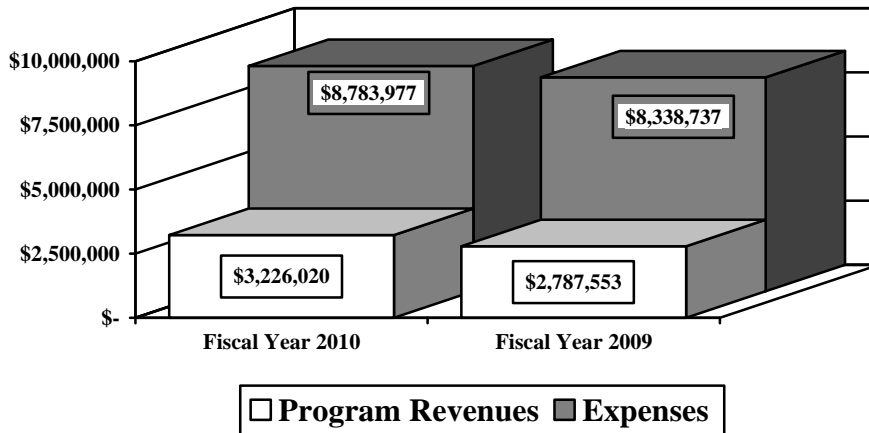
Security of persons and property, which primarily supports the operations of the fire department accounted for \$3,540,375 of the total expenses of the City. General government expenses totaled \$1,916,884. General government expenses were partially funded by \$277,722 in direct charges to users of the services. Transportation expenses were partially funded by \$577,801 in operating grants and contributions.

The state and federal government contributed to the City a total of \$1,900,830 in operating and capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$577,801 subsidized transportation programs and \$1,253,445 subsidized urban redevelopment and housing activities.

General revenues totaled \$5,808,574, and amounted to 64.29% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$4,337,148. 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 \$978,348.

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 2010.

Governmental Activities – Program Revenues vs. Total Expenses



CITY OF COSHOCTON, OHIO

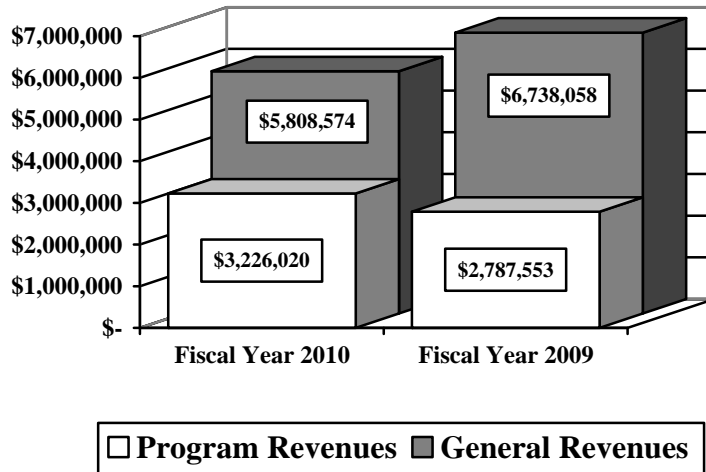
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)**

Governmental Activities

	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>
Program Expenses:				
General government	\$ 1,916,884	\$ 1,610,390	\$ 2,442,496	\$ 2,051,922
Security of persons and property	3,540,375	3,523,508	2,825,141	2,825,141
Public health and welfare	1,197,119	165,295	1,154,031	197,542
Transportation	777,597	197,915	1,152,464	420,426
Community environment	15,476	13,829	16,967	16,059
Leisure time activity	178,364	142,303	134,057	79,578
Urban redevelopment and housing	1,147,454	(105,991)	584,409	(68,656)
Interest and fiscal charges	<u>10,708</u>	<u>10,708</u>	<u>29,172</u>	<u>29,172</u>
Total	<u>\$ 8,783,977</u>	<u>\$ 5,557,957</u>	<u>\$ 8,338,737</u>	<u>\$ 5,551,184</u>

The dependence upon general revenues for governmental activities is apparent, with 63.27% of expenses supported through taxes and other general revenues. The chart below illustrates the City's program revenues versus general revenues for 2010 and 2009.

Governmental Activities – General and Program Revenues



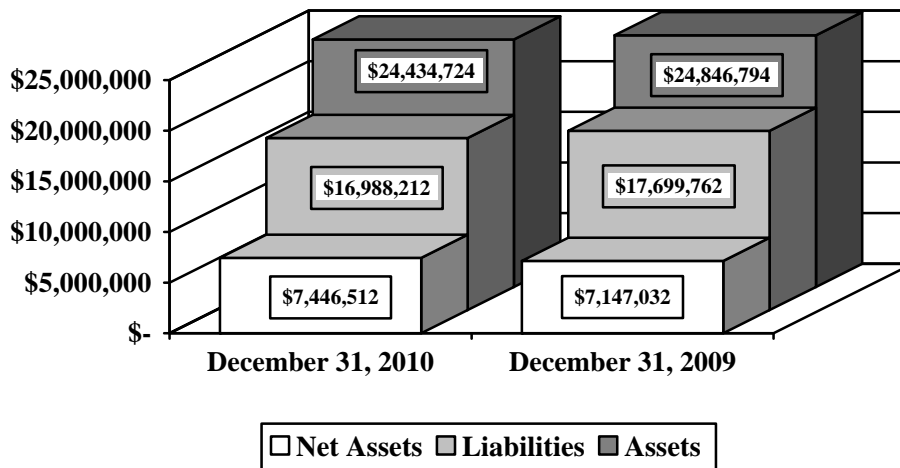
CITY OF COSHOCTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)**

Business-type Activities

Business-type activities include the water, sewer, and solid waste enterprise funds. These programs had program revenues of \$6,075,814 and expenses of \$5,776,334 for 2010. 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 pages 21 and 22) reported a combined fund balance of \$2,421,156 which is \$563,799 above last year's total of \$1,857,357.

CITY OF COSHOCTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)**

The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2010 and 2009 for all major and nonmajor governmental funds.

	Fund Balances (Deficit) <u>12/31/10</u>	Fund Balances (Deficit) <u>12/31/09</u>	Increase (Decrease) <u></u>
Major funds:			
General	\$ 255,863	\$ 210,246	\$ 45,617
Fire	(15,003)	(10,947)	(4,056)
Street	312,649	47,130	265,519
NSP	149,311	69,457	79,854
Other nonmajor governmental funds	<u>1,718,336</u>	<u>1,541,471</u>	<u>176,865</u>
Total	<u>\$ 2,421,156</u>	<u>\$ 1,857,357</u>	<u>\$ 563,799</u>

General Fund

The City's general fund balance increased \$45,617. The table that follows assists in illustrating the revenues of the general fund.

	<u>2010</u> Amount	<u>2009</u> Amount	<u>Percentage</u> Change
<u>Revenues</u>			
Taxes	\$ 2,467,180	\$ 2,562,832	(3.73) %
Charges for services	312,419	314,118	(0.54) %
Licenses and permits	8,242	5,055	63.05 %
Fines and forfeitures	2,743	2,662	3.04 %
Investment income	6,211	2,839	118.77 %
Intergovernmental	1,014,577	1,643,249	(38.26) %
JEDD revenue	47,276	24,058	96.51 %
Other	<u>198,824</u>	<u>580,437</u>	(65.75) %
Total	<u>\$ 4,057,472</u>	<u>\$ 5,135,250</u>	(20.99) %

Tax revenue represents 60.81% of all general fund revenue. The decrease in tax revenues is due to the decrease in property tax. The decrease in charges for service revenues is due primarily to the decrease in municipal court revenues. The decrease in intergovernmental revenues is due to the decrease in collections of inheritance taxes during the year. The decrease in other revenues is due primarily to the decrease in refunds and reimbursements received during the year, the collection of cable franchise fees and other administrative revenues.

CITY OF COSHOCTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)

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

<u>Expenditures</u>	<u>2010 Amount</u>	<u>2009 Amount</u>	<u>Percentage Change</u>
General government	\$ 1,463,102	\$ 1,958,422	(25.29) %
Security of persons and property	2,168,901	2,044,036	6.11 %
Public health and welfare	377,359	445,744	(15.34) %
Community environment	15,176	13,789	10.06 %
Leisure time activity	135,082	101,452	33.15 %
Total	<u>\$ 4,159,620</u>	<u>\$ 4,563,443</u>	(8.85) %

The City decreased total expenditures during 2010 by \$403,823. The increase in security of persons and property expenditures related to costs associated with the sheriff contract service. General government expenditures decreased primarily due to a decrease in expenditures relating to unemployment and income tax costs. Leisure time activity expenditures increased due to an increase in related personal services that included salaries and benefits. Public health and welfare expenditures decreased due to the decrease in related health department expenditures.

Fire Fund

The fire fund had revenues of \$1,006,273 in 2010. The expenditures of the fire fund, totaled \$1,010,329 in 2010. The net decrease in fund balance for the fire fund was \$4,056.

Street Fund

The street fund had revenues of \$1,027,231 in 2010. The expenditures of the street fund, totaled \$761,712 in 2010. The net increase in fund balance for the street fund was \$265,519.

NSP Fund

The NSP fund had revenues of \$997,715 in 2010. The expenditures of the NSP fund, totaled \$917,861 in 2010. The net increase in fund balance for the NSP fund was \$79,854.

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, the fire fund, the street fund and the NSP 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 \$100,000 from \$4,450,736 to \$4,550,736. Actual revenues of \$4,278,585 were less than final budgeted revenues by \$272,151. The other significant change was between the final budgeted expenditures and original budgeted expenditures. Original budgeted expenditures came in \$85,896 lower than the final budgeted amounts.

CITY OF COSHOCTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)

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.

The City's enterprise funds (as presented on the statement of net assets on page 33) reported a combined net assets of \$7,432,765. The schedule below indicates the net assets and the total change in net assets as of December 31, 2010 for all enterprise funds.

	Net Assets <u>12/31/10</u>	Net Assets <u>12/31/09</u>	Increase <u>(Decrease)</u>
Major funds:			
Water	\$ 4,866,365	\$ 4,490,496	\$ 375,869
Sewer	2,112,016	2,184,847	(72,831)
Solid waste	<u>454,384</u>	<u>483,484</u>	<u>(29,100)</u>
Total	<u>\$ 7,432,765</u>	<u>\$ 7,158,827</u>	<u>\$ 273,938</u>

Water Fund

The City's Water fund net assets increased \$375,869 due mainly to the increase in charges for service revenues. The following tables illustrate the revenues and expenses of the water fund.

	2010 <u>Amount</u>	2009 <u>Amount</u>	Percentage <u>Change</u>
<u>Operating Revenues</u>			
Charges for services	\$ 3,536,247	\$ 3,394,264	4.18 %
Special assessment revenue	2,139	-	N/A
Other	<u>9,700</u>	<u>36,196</u>	(73.20) %
Total	<u>\$ 3,548,086</u>	<u>\$ 3,430,460</u>	3.43 %
<u>Operating Expenses</u>			
Personal services	\$ 936,701	\$ 819,957	14.24 %
Contractual services	266,269	241,349	10.33 %
Materials and supplies	1,060,938	811,821	30.69 %
Depreciation	609,732	153,375	297.54 %
Other	<u>960</u>	<u>944</u>	1.69 %
Total	<u>\$ 2,874,600</u>	<u>\$ 2,027,446</u>	41.78 %

CITY OF COSHOCTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)

	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Nonoperating Expenses</u>			
Interest expense and fiscal charges	\$ (297,617)	\$ (369,620)	(19.48) %
Total	<u>\$ (297,617)</u>	<u>\$ (369,620)</u>	(19.48) %

Sewer Fund

The City's sewer fund net assets decreased \$72,831 due mainly to the increase in contract services and materials and supplies expenses. The following tables illustrate the revenues and expenses of the sewer fund.

	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Operating Revenues</u>			
Charges for services	\$ 1,676,106	\$ 1,547,863	8.29 %
Other	<u>26,541</u>	<u>43,784</u>	(39.38) %
Total	<u>\$ 1,702,647</u>	<u>\$ 1,591,647</u>	6.97 %

<u>Operating Expenses</u>			
Personal services	\$ 548,969	\$ 611,697	(10.25) %
Contractual services	315,191	109,448	187.98 %
Materials and supplies	266,355	54,209	391.35 %
Depreciation	<u>369,659</u>	<u>370,708</u>	(0.28) %
Total	<u>\$ 1,500,174</u>	<u>\$ 1,146,062</u>	30.90 %

<u>Nonoperating Revenues (Expenses)</u>			
Interest expense and fiscal charges	<u>(275,304)</u>	<u>(59,514)</u>	362.59 %
Total	<u>\$ (275,304)</u>	<u>\$ (59,514)</u>	362.59 %

CITY OF COSHOCTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(UNAUDITED)

Solid Waste Fund

The City's Solid Waste fund net assets decreased \$29,100 due mainly to the decrease in charges for services and the increase in contractual service expenses.

The following tables illustrate the revenues and expenses of the solid waste fund.

	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Operating Revenues</u>			
Charges for services	\$ 825,081	\$ 862,505	(4.34) %
Total	<u>\$ 825,081</u>	<u>\$ 862,505</u>	(4.34) %
<u>Operating Expenses</u>			
Contractual services	\$ 764,955	\$ 624,268	22.54 %
Materials and supplies	<u>89,226</u>	<u>88,223</u>	1.14 %
Total	<u>\$ 854,181</u>	<u>\$ 712,491</u>	19.89 %

Capital Assets and Debt Administration

Capital Assets

At the end of 2010, the City had \$26,526,773 (net of accumulated depreciation) invested in land, buildings and improvements, land improvements, furniture and equipment, vehicles and infrastructure. Of this total, \$6,311,467 was reported in governmental activities and \$20,215,306 was reported in business-type activities. See Note 10 for further description of capital assets. The following table shows 2010 balances compared to 2009:

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

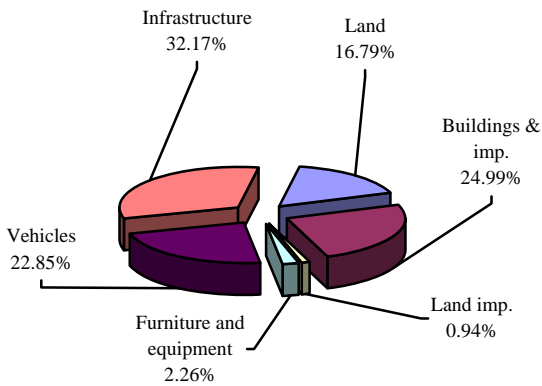
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	\$ 1,059,518	\$ 1,059,518	\$ 591,950	\$ 34,500	\$ 1,651,468	\$ 1,094,018
Land improvements	59,430	62,432	17,671	4,468	77,101	66,900
Buildings and improvements	1,577,223	1,655,482	6,590,776	4,392,870	8,167,999	6,048,352
Furniture and equipment	142,779	189,126	5,776,081	3,407,803	5,918,860	3,596,929
Vehicles	1,442,109	1,561,572	149,931	132,370	1,592,040	1,693,942
Infrastructure	2,030,408	2,000,200	-	-	2,030,408	2,000,200
Water and sewer lines	-	-	7,088,897	3,265,028	7,088,897	3,265,028
Construction in progress	-	-	-	9,912,982	-	9,912,982
Totals	<u>\$ 6,311,467</u>	<u>\$ 6,528,330</u>	<u>\$ 20,215,306</u>	<u>\$ 21,150,021</u>	<u>\$ 26,526,773</u>	<u>\$ 27,678,351</u>

CITY OF COSHOCTON, OHIO

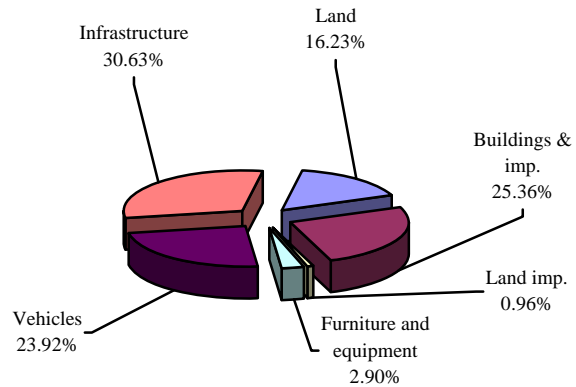
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010 (UNAUDITED)

The following graphs show the breakdown of governmental capital assets by category for 2010 and 2009.

Capital Assets - Governmental Activities 2010



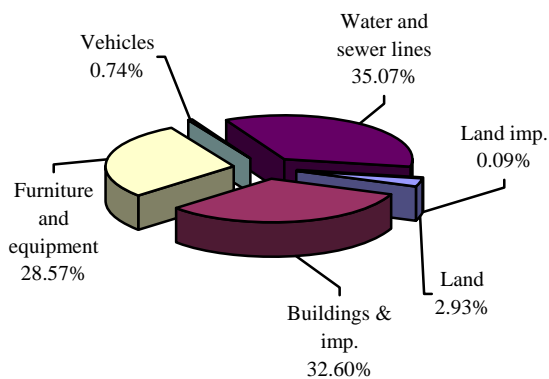
Capital Assets - Governmental Activities 2009



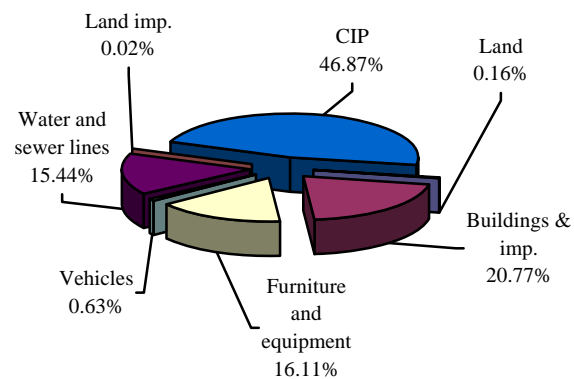
The City's largest governmental capital asset category is infrastructure. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 32.17% of the City's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2010 and 2009.

Capital Assets - Business-Type Activities 2010



Capital Assets - Business-Type Activities 2009



The City's 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 35.07% of the City's total business-type capital assets.

CITY OF COSHOCTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010 (UNAUDITED)

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2010 and 2009:

	Governmental Activities	
	<u>2010</u>	<u>2009</u>
OPWC loans	\$ 232,103	\$ -
Note payable	<u>-</u>	<u>323,575</u>
Total long-term obligations	<u>\$ 232,103</u>	<u>\$ 323,575</u>

	Business-type Activities	
	<u>2010</u>	<u>2009</u>
Revenue bonds	505,000	745,000
OWDA loans	<u>15,393,256</u>	<u>15,771,099</u>
Total long-term obligations	<u>\$ 15,898,256</u>	<u>\$ 16,516,099</u>

Further detail on the City's long-term obligations can be found in Note 12 to the financial statements.

Economic Conditions and Outlook

The City's administration considers the impact of various economic factors when establishing the 2010 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 2010 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 2010 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 increase continues to free up general fund monies.

The average unemployment rate for Coshocton County in 2010 was 12.3% compared to the 9.6% State of Ohio average. The City Auditor anticipates the 2010 rate to continue through 2011. 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 Sherry Kirkpatrick, City Auditor, City of Coshocton, City Hall, 760 Chestnut Street, Coshocton, Ohio 43812.

This page intentionally left blank.

CITY OF COSHOCTON

STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 2,204,234	\$ 3,010,013	\$ 5,214,247
Receivables (net of allowances for uncollectibles):			
Income taxes	805,486	-	805,486
Property and other local taxes	494,132	-	494,132
Accounts	52,123	967,242	1,019,365
Accrued interest	2,874	-	2,874
Special assessments	11,336	12,891	24,227
Internal balances	(13,747)	13,747	-
Due from other governments	723,706	-	723,706
Materials and supplies inventory	73,166	201,091	274,257
Unamortized bond issue costs.	-	14,434	14,434
Capital assets:			
Land	1,059,518	591,950	1,651,468
Depreciable capital assets, net	5,251,949	19,623,356	24,875,305
Total capital assets, net.	6,311,467	20,215,306	26,526,773
Total assets	10,664,777	24,434,724	35,099,501
Liabilities:			
Accounts payable.	259,200	106,080	365,280
Accrued wages and benefits payable	21,064	15,993	37,057
Due to other governments	196,246	46,233	242,479
Unearned revenue	442,156	-	442,156
Accrued interest payable	-	18,197	18,197
Claims payable	91,814	-	91,814
Notes payable.	-	650,000	650,000
Long-term liabilities:			
Due within one year	141,482	668,207	809,689
Due in more than one year.	774,944	15,483,502	16,258,446
Total liabilities	1,926,906	16,988,212	18,915,118
Net assets:			
Invested in capital assets, net of related debt	6,311,467	3,693,446	10,004,913
Restricted for:			
Capital projects	338,208	-	338,208
Perpetual care:			
Expendable.	157,002	-	157,002
Nonexpendable.	250,000	-	250,000
Transportation projects	872,440	-	872,440
Public health and welfare	633,642	-	633,642
Public safety	111,547	-	111,547
Other purposes.	482,989	-	482,989
Unrestricted (deficit).	(419,424)	3,753,066	3,333,642
Total net assets	\$ 8,737,871	\$ 7,446,512	\$ 16,184,383

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COSHOCTON

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 1,916,884	\$ 277,722	\$ 8,070	\$ 20,702
Security of persons and property	3,540,375	-	16,867	-
Public health and welfare	1,197,119	1,022,842	8,982	-
Transportation	777,597	1,881	577,801	-
Community environment	15,476	1,647	-	-
Leisure time activity	178,364	21,098	14,963	-
Urban redevelopment and housing	1,147,454	-	1,253,445	-
Interest and fiscal charges	10,708	-	-	-
Total governmental activities	8,783,977	1,325,190	1,880,128	20,702
Business-type activities:				
Water	3,155,142	3,548,086	-	-
Sewer	1,767,011	1,702,647	-	-
Solid waste	854,181	825,081	-	-
Total business-type activities	5,776,334	6,075,814	-	-
Totals	\$ 14,560,311	\$ 7,401,004	\$ 1,880,128	\$ 20,702

General revenues:

Property taxes levied for:	
General purposes	
Fire pension fund	
Income taxes levied for:	
General purposes	
Fire fund	
Retirement fund	
Street fund	
Capital project fund	
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	
Miscellaneous	
Total general revenues	
Change in net assets	
Net assets at beginning of year	
Net assets at end of year	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-type Activities	Total
\$ (1,610,390)	\$ -	\$ (1,610,390)
(3,523,508)	-	(3,523,508)
(165,295)	-	(165,295)
(197,915)	-	(197,915)
(13,829)	-	(13,829)
(142,303)	-	(142,303)
105,991	-	105,991
(10,708)	-	(10,708)
<u>(5,557,957)</u>	<u>-</u>	<u>(5,557,957)</u>
-	392,944	392,944
-	(64,364)	(64,364)
-	(29,100)	(29,100)
<u>-</u>	<u>299,480</u>	<u>299,480</u>
<u>(5,557,957)</u>	<u>299,480</u>	<u>(5,258,477)</u>
383,886	-	383,886
46,180	-	46,180
2,030,291	-	2,030,291
973,230	-	973,230
62,839	-	62,839
385,408	-	385,408
455,314	-	455,314
47,276	-	47,276
139,780	-	139,780
11,680	-	11,680
64,884	-	64,884
978,348	-	978,348
6,221	-	6,221
<u>223,237</u>	<u>-</u>	<u>223,237</u>
<u>5,808,574</u>	<u>-</u>	<u>5,808,574</u>
250,617	299,480	550,097
<u>8,487,254</u>	<u>7,147,032</u>	<u>15,634,286</u>
<u>\$ 8,737,871</u>	<u>\$ 7,446,512</u>	<u>\$ 16,184,383</u>

CITY OF COSHOCTON

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	<u>General</u>	<u>Fire</u>	<u>Street</u>	<u>NSP</u>
Assets:				
Equity in pooled cash and cash equivalents . . .	\$ 24,870	\$ -	\$ 208,705	\$ 194,578
Receivables (net of allowances for uncollectibles):				
Income taxes	410,072	194,365	72,671	-
Property and other local taxes	437,310	-	-	-
Accounts	43,996	-	3,299	-
Accrued interest	1,665	-	-	-
Special assessments	-	-	11,336	-
Due from other funds	68,546	5,488	-	-
Due from other governments.	467,996	-	224,153	-
Materials and supplies inventory.	-	-	73,166	-
Total assets	<u>\$ 1,454,455</u>	<u>\$ 199,853</u>	<u>\$ 593,330</u>	<u>\$ 194,578</u>
Liabilities:				
Accounts payable.	\$ 142,975	\$ 1,189	\$ 21,868	\$ 45,267
Accrued wages and benefits payable	3,618	11,249	4,349	-
Compensated absences payable	-	-	-	-
Due to other funds	-	54,967	-	-
Due to other governments	110,522	32,632	13,633	-
Deferred revenue	546,654	114,819	240,831	-
Unearned revenue	394,823	-	-	-
Total liabilities	<u>1,198,592</u>	<u>214,856</u>	<u>280,681</u>	<u>45,267</u>
Fund balances:				
Reserved for encumbrances	-	-	-	-
Reserved for materials and supplies.	-	-	73,166	-
Reserved for unclaimed monies	2,306	-	-	-
Reserved for perpetual care	-	-	-	-
Unreserved, undesignated (deficit), reported in:				
General fund.	253,557	-	-	-
Special revenue funds	-	(15,003)	239,483	149,311
Capital projects funds	-	-	-	-
Permanent fund	-	-	-	-
Total fund balances (deficit).	<u>255,863</u>	<u>(15,003)</u>	<u>312,649</u>	<u>149,311</u>
Total liabilities and fund balances	<u>\$ 1,454,455</u>	<u>\$ 199,853</u>	<u>\$ 593,330</u>	<u>\$ 194,578</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Other Governmental Funds	Total Governmental Funds
\$ 1,774,148	\$ 2,202,301
128,378	805,486
56,822	494,132
4,828	52,123
1,209	2,874
-	11,336
-	74,034
31,557	723,706
-	73,166
<u>\$ 1,996,942</u>	<u>\$ 4,439,158</u>
\$ 47,901	\$ 259,200
1,848	21,064
14,971	14,971
19,067	74,034
39,459	196,246
108,027	1,010,331
47,333	442,156
<u>278,606</u>	<u>2,018,002</u>
5,100	5,100
-	73,166
-	2,306
250,000	250,000
-	253,557
1,021,729	1,395,520
284,505	284,505
157,002	157,002
<u>1,718,336</u>	<u>2,421,156</u>
<u>\$ 1,996,942</u>	<u>\$ 4,439,158</u>

THIS PAGE IS INTENTIONALLY LEFT BLANK

CITY OF COSHOCTON

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2010

Total governmental fund balances	\$	2,421,156
<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.		6,311,467
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Income taxes receivable	\$ 475,832	
Property taxes receivable	47,581	
Accounts receivable	33,369	
Intergovernmental receivable	442,213	
Special assessments receivable	11,336	
Total	1,010,331	1,010,331
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 \$13,747 are:		(103,628)
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:		
OPWC loan	(232,103)	
Compensated absences	(669,352)	
Total	(901,455)	(901,455)
Net assets of governmental activities	\$	8,737,871

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COSHOCTON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>General</u>	<u>Fire</u>	<u>Street</u>	<u>NSP</u>
Revenues:				
Income taxes	\$ 2,065,444	\$ 980,088	\$ 375,084	\$ -
Property and other taxes.	401,736	-	-	-
Charges for services.	312,419	-	-	-
Licenses and permits	8,242	-	-	-
Fines and forfeitures	2,743	-	-	-
Intergovernmental.	1,014,577	-	494,322	997,715
Special assessments	-	-	1,881	-
Investment income	6,211	-	78	-
Contributions and donations	45,326	-	-	-
JEDD revenue.	47,276	21,333	-	-
Other	153,498	4,852	155,866	-
Total revenues.	<u>4,057,472</u>	<u>1,006,273</u>	<u>1,027,231</u>	<u>997,715</u>
Expenditures:				
Current:				
General government	1,463,102	-	-	-
Security of persons and property	2,168,901	1,010,329	-	-
Public health and welfare.	377,359	-	-	-
Transportation	-	-	761,712	-
Community environment	15,176	-	-	-
Leisure time activity	135,082	-	-	-
Urban redevelopment and housing	-	-	-	917,861
Capital outlay.	-	-	-	-
Debt service:				
Principal retirement.	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>4,159,620</u>	<u>1,010,329</u>	<u>761,712</u>	<u>917,861</u>
Excess (deficiency) of revenues (over) under expenditures	<u>(102,148)</u>	<u>(4,056)</u>	<u>265,519</u>	<u>79,854</u>
Other financing sources:				
Loan issuance	147,765	-	-	-
Total other financing sources	<u>147,765</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances.	45,617	(4,056)	265,519	79,854
Fund balances (deficit) at beginning of year . .	<u>210,246</u>	<u>(10,947)</u>	<u>47,130</u>	<u>69,457</u>
Fund balances (deficit) at end of year	<u>\$ 255,863</u>	<u>\$ (15,003)</u>	<u>\$ 312,649</u>	<u>\$ 149,311</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Other Governmental Funds	Total Governmental Funds
\$ 515,159	\$ 3,935,775
111,816	513,552
833,696	1,146,115
32,558	40,800
126,354	129,097
322,199	2,828,813
-	1,881
17,293	23,582
-	45,326
138,257	206,866
38,074	352,290
2,135,406	9,224,097
402,881	1,865,983
55,160	3,234,390
804,164	1,181,523
42,728	804,440
-	15,176
36,895	171,977
229,593	1,147,454
135,505	135,505
335,791	335,791
12,378	12,378
2,055,095	8,904,617
80,311	319,480
96,554	244,319
96,554	244,319
176,865	563,799
1,541,471	1,857,357
\$ 1,718,336	\$ 2,421,156

THIS PAGE IS INTENTIONALLY LEFT BLANK

CITY OF COSHOCTON

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

Net change in fund balances - total governmental funds \$ 563,799

*Amounts reported for governmental activities in 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 depreciation expense exceeded capital outlays in the current period.

Capital asset additions	\$	333,328	
Current year depreciation		(550,191)	
Total			(216,863)

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

Income taxes		(27,170)	
Property taxes		(6,922)	
Accounts receivable		(1,038)	
Special assessments		7,297	
Intergovernmental		(161,680)	
Total			(189,513)

Proceeds of loans are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets. (244,319)

Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 335,791

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 1,670

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. (23,782)

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. 23,834

Change in net assets of governmental activities \$ 250,617

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COSHOCTON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Income taxes	\$ 2,158,415	\$ 2,209,261	\$ 2,072,062	\$ (137,199)
Property and other taxes	418,339	428,193	401,602	(26,591)
Charges for services.	329,964	337,737	316,763	(20,974)
Licenses and permits	8,585	8,788	8,242	(546)
Fines and forfeitures	3,065	3,137	2,942	(195)
Intergovernmental.	1,177,585	1,205,325	1,130,473	(74,852)
Investment income	5,048	5,167	4,846	(321)
Contributions and donations	45,467	46,538	43,648	(2,890)
JEDD revenue.	47,933	49,062	46,015	(3,047)
Other	108,570	109,763	104,227	(5,536)
Total revenues.	<u>4,302,971</u>	<u>4,402,971</u>	<u>4,130,820</u>	<u>(272,151)</u>
Expenditures:				
Current:				
General government	1,715,229	1,763,369	1,588,461	174,908
Security of persons and property	2,026,261	2,053,261	2,042,962	10,299
Public health and welfare.	466,468	481,768	390,805	90,963
Community environment	25,287	19,082	15,110	3,972
Leisure time activity	140,242	141,903	137,237	4,666
Total expenditures.	<u>4,373,487</u>	<u>4,459,383</u>	<u>4,174,575</u>	<u>284,808</u>
Excess of expenditures over revenues.	<u>(70,516)</u>	<u>(56,412)</u>	<u>(43,755)</u>	<u>12,657</u>
Other financing sources:				
Loan issuance	<u>147,765</u>	<u>147,765</u>	<u>147,765</u>	<u>-</u>
Total other financing sources	<u>147,765</u>	<u>147,765</u>	<u>147,765</u>	<u>-</u>
Net change in fund balances	77,249	91,353	104,010	12,657
Fund balance (deficit) at beginning of year.	(25,690)	(25,690)	(25,690)	-
Prior year encumbrances appropriated.	9,915	9,915	9,915	-
Fund balance (deficit) at end of year	<u>\$ 61,474</u>	<u>\$ 75,578</u>	<u>\$ 88,235</u>	<u>\$ 12,657</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COSHOCTON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 FIRE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Income taxes	\$ 1,042,801	\$ 1,042,801	\$ 982,110	\$ (60,691)
JEDD revenue.	16,824	16,824	15,845	(979)
Other	10,375	10,375	9,771	(604)
Total revenues.	<u>1,070,000</u>	<u>1,070,000</u>	<u>1,007,726</u>	<u>(62,274)</u>
Expenditures:				
Current:				
Security of persons and property	1,036,200	1,037,050	1,031,365	5,685
Total expenditures	<u>1,036,200</u>	<u>1,037,050</u>	<u>1,031,365</u>	<u>5,685</u>
Net change in fund balances	33,800	32,950	(23,639)	(56,589)
Fund balance (deficit) at beginning of year. .	<u>(31,328)</u>	<u>(31,328)</u>	<u>(31,328)</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ 2,472</u>	<u>\$ 1,622</u>	<u>\$ (54,967)</u>	<u>\$ (56,589)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COSHOCTON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 STREET FUND
 FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Income taxes	\$ 289,155	\$ 339,757	\$ 367,201	\$ 27,444
Intergovernmental.	389,163	457,266	494,202	36,936
Investment income	61	72	78	6
Other	121,621	142,905	154,448	11,543
Total revenues.	<u>800,000</u>	<u>940,000</u>	<u>1,015,929</u>	<u>75,929</u>
Expenditures:				
Current:				
Transportation	801,475	768,395	755,687	12,708
Total expenditures	<u>801,475</u>	<u>768,395</u>	<u>755,687</u>	<u>12,708</u>
Net change in fund balances	(1,475)	171,605	260,242	88,637
Fund balance (deficit) at beginning of year. .	(53,108)	(53,108)	(53,108)	-
Prior year encumbrances appropriated. . . .	1,539	1,539	1,539	-
Fund balance (deficit) at end of year	<u>\$ (53,044)</u>	<u>\$ 120,036</u>	<u>\$ 208,673</u>	<u>\$ 88,637</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COSHOCTON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 NSP FUND
 FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ -	\$ 1,200,000	\$ 997,715	\$ (202,285)
Total revenues	-	1,200,000	997,715	(202,285)
Expenditures:				
Current:				
Urban redevelopment and housing.	1,074,572	1,195,223	974,724	220,499
Total expenditures	1,074,572	1,195,223	974,724	220,499
Net change in fund balances	(1,074,572)	4,777	22,991	18,214
Fund balance at beginning of year.	50,928	50,928	50,928	-
Prior year encumbrances appropriated . . .	84,572	84,572	84,572	-
Fund balance (deficit) at end of year.	<u>\$ (939,072)</u>	<u>\$ 140,277</u>	<u>\$ 158,491</u>	<u>\$ 18,214</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COSHOCTON

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2010

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Service Funds</u>
	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>	
Assets:					
Current assets:					
Equity in pooled cash and cash equivalents . . .	\$ 1,891,539	\$ 865,612	\$ 252,862	\$ 3,010,013	\$ 1,933
Receivables (net of allowances for uncollectibles):					
Accounts	454,132	311,588	201,522	967,242	-
Special assessments	12,891	-	-	12,891	-
Materials and supplies inventory	201,091	-	-	201,091	-
Unamortized bond issue costs	-	14,434	-	14,434	-
Total current assets	<u>2,559,653</u>	<u>1,191,634</u>	<u>454,384</u>	<u>4,205,671</u>	<u>1,933</u>
Noncurrent assets:					
Capital assets:					
Land and construction in progress	591,950	-	-	591,950	-
Depreciable capital assets, net	<u>10,588,819</u>	<u>9,034,537</u>	<u>-</u>	<u>19,623,356</u>	<u>-</u>
Total capital assets, net	<u>11,180,769</u>	<u>9,034,537</u>	<u>-</u>	<u>20,215,306</u>	<u>-</u>
Total noncurrent assets	<u>11,180,769</u>	<u>9,034,537</u>	<u>-</u>	<u>20,215,306</u>	<u>-</u>
Total assets	<u>13,740,422</u>	<u>10,226,171</u>	<u>454,384</u>	<u>24,420,977</u>	<u>1,933</u>
Liabilities:					
Current liabilities:					
Accounts payable	85,987	20,093	-	106,080	-
Accrued wages and benefits payable	5,051	10,942	-	15,993	-
Compensated absences payable - current	21,576	8,026	-	29,602	-
Due to other governments	31,653	14,580	-	46,233	-
Claims payable	-	-	-	-	91,814
OWDA loans payable	388,605	-	-	388,605	-
Notes payable	650,000	-	-	650,000	-
Revenue bonds payable	-	250,000	-	250,000	-
Accrued interest payable	16,829	1,368	-	18,197	-
Total current liabilities	<u>1,199,701</u>	<u>305,009</u>	<u>-</u>	<u>1,504,710</u>	<u>91,814</u>
Long-term liabilities:					
Compensated absences payable	162,590	87,657	-	250,247	-
Revenue bonds payable	-	228,604	-	228,604	-
OWDA loans payable	<u>7,511,766</u>	<u>7,492,885</u>	<u>-</u>	<u>15,004,651</u>	<u>-</u>
Total long-term liabilities	<u>7,674,356</u>	<u>7,809,146</u>	<u>-</u>	<u>15,483,502</u>	<u>-</u>
Total liabilities	<u>8,874,057</u>	<u>8,114,155</u>	<u>-</u>	<u>16,988,212</u>	<u>91,814</u>
Net assets:					
Invested in capital assets, net of related debt	2,630,398	1,063,048	-	3,693,446	-
Unrestricted (deficit)	<u>2,235,967</u>	<u>1,048,968</u>	<u>454,384</u>	<u>3,739,319</u>	<u>(89,881)</u>
Total net assets	<u>\$ 4,866,365</u>	<u>\$ 2,112,016</u>	<u>\$ 454,384</u>	<u>7,432,765</u>	<u>\$ (89,881)</u>
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.				<u>13,747</u>	
Net assets of business-type activities				<u>\$ 7,446,512</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COSHOCTON

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Service Funds</u>
	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>	
Operating revenues:					
Charges for services	\$ 3,536,247	\$ 1,676,106	\$ 825,081	\$ 6,037,434	\$ 1,001,505
Special assessments	2,139	-	-	2,139	-
Other	9,700	26,541	-	36,241	100,239
Total operating revenues	<u>3,548,086</u>	<u>1,702,647</u>	<u>825,081</u>	<u>6,075,814</u>	<u>1,101,744</u>
Operating expenses:					
Personal services	936,701	548,969	-	1,485,670	-
Contract services	266,269	315,191	764,955	1,346,415	150,000
Materials and supplies	1,060,938	266,355	89,226	1,416,519	1,000
Claims expense	-	-	-	-	901,378
Other	960	-	-	960	-
Depreciation	609,732	369,659	-	979,391	-
Total operating expenses	<u>2,874,600</u>	<u>1,500,174</u>	<u>854,181</u>	<u>5,228,955</u>	<u>1,052,378</u>
Operating income (loss)	<u>673,486</u>	<u>202,473</u>	<u>(29,100)</u>	<u>846,859</u>	<u>49,366</u>
Nonoperating revenues (expenses):					
Interest and fiscal charges	(297,617)	(275,304)	-	(572,921)	10
Loss on sale of capital assets	-	-	-	-	-
Total nonoperating revenues (expenses)	<u>(297,617)</u>	<u>(275,304)</u>	<u>-</u>	<u>(572,921)</u>	<u>10</u>
Change in net assets	375,869	(72,831)	(29,100)	273,938	49,376
Net assets at beginning of year	<u>4,490,496</u>	<u>2,184,847</u>	<u>483,484</u>		<u>(139,257)</u>
Net assets at end of year	<u>\$ 4,866,365</u>	<u>\$ 2,112,016</u>	<u>\$ 454,384</u>		<u>\$ (89,881)</u>
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds.				<u>25,542</u>	
Change in net assets of business-type activities.				<u>\$ 299,480</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COSHOCTON

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2010

	Business-type Activities - Enterprise Funds				Governmental
	Water	Sewer	Solid Waste	Total	Activities - Internal Service Funds
Cash flows from operating activities:					
Cash received from customers	\$ 3,543,854	\$ 1,663,814	\$ 845,438	\$ 6,053,106	\$ 1,001,505
Cash received from other operations	9,700	26,541	-	36,241	100,239
Cash received from special assessments	2,139	-	-	2,139	-
Cash payments for personal services	(919,118)	(567,522)	-	(1,486,640)	-
Cash payments for contract services	(252,791)	(184,802)	(764,955)	(1,202,548)	(150,000)
Cash payments for materials and supplies	(1,122,312)	(398,331)	(89,226)	(1,609,869)	(1,000)
Cash payments for claims.	-	-	-	-	(995,925)
Cash payments for other expenses	(960)	-	-	(960)	-
Net cash provided by (used in) operating activities.	<u>1,260,512</u>	<u>539,700</u>	<u>(8,743)</u>	<u>1,791,469</u>	<u>(45,181)</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(48,961)	(7,650)	-	(56,611)	-
Principal retirement on revenue bonds.	-	(240,000)	-	(240,000)	-
Principal retirement on notes.	(750,000)	-	-	(750,000)	-
Principal retirement on loans.	(388,605)	-	-	(388,605)	-
Proceeds of notes.	650,000	-	-	650,000	-
Proceeds of loans.	10,762	-	-	10,762	-
Interest and fiscal charges.	(322,860)	(255,537)	-	(578,397)	-
Net cash (used in) capital and related financing activities	<u>(849,664)</u>	<u>(503,187)</u>	<u>-</u>	<u>(1,352,851)</u>	<u>-</u>
Cash flows from investing activities:					
Interest received	-	-	-	-	10
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10</u>
Net increase (decrease) in cash and cash equivalents	410,848	36,513	(8,743)	438,618	(45,171)
Cash and cash equivalents at beginning of year . . .	<u>1,480,691</u>	<u>829,099</u>	<u>261,605</u>	<u>2,571,395</u>	<u>47,104</u>
Cash and cash equivalents at end of year	<u>\$ 1,891,539</u>	<u>\$ 865,612</u>	<u>\$ 252,862</u>	<u>\$ 3,010,013</u>	<u>\$ 1,933</u>

-- Continued

CITY OF COSHOCTON

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2010
 (SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Service Funds</u>
	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>	
Reconciliation of operating income (loss) to net cash (used in) operating activities:					
Operating income (loss)	\$ 673,486	\$ 202,473	\$ (29,100)	\$ 846,859	\$ 49,366
Adjustments:					
Depreciation.	609,732	369,659	-	979,391	-
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable.	2,676	(12,292)	20,357	10,741	-
Decrease in special assessments	4,931	-	-	4,931	-
Decrease in materials and supplies inventory	(81,375)	-	-	(81,375)	-
Increase (decrease) in accounts payable	33,479	(1,640)	-	31,839	-
Increase in accrued wages and benefits.	1,181	3,750	-	4,931	-
(Decrease) in intergovernmental payable.	(12,516)	(14,227)	-	(26,743)	-
Increase (decrease) in compensated absences payable	28,918	(8,023)	-	20,895	-
(Decrease) in claims payable	-	-	-	-	(94,547)
Net cash provided by (used in) operating activities . . .	<u>\$ 1,260,512</u>	<u>\$ 539,700</u>	<u>\$ (8,743)</u>	<u>\$ 1,791,469</u>	<u>\$ (45,181)</u>

Non-cash capital transactions:

During 2010, the water fund purchased capital assets on account in the amount of \$1,580.

During 2009, the water fund and the sewer funds purchased capital assets on account in the amounts of \$5,865 and \$7,650, respectively.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COSHOCTON

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 DECEMBER 31, 2010

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets:		
Equity in pooled cash and cash equivalents.	\$ 232,300	\$ 1,538
Cash in segregated accounts.	-	4,124
Receivables:		
Accounts	-	594
Accrued interest.	214	-
	<u> </u>	<u> </u>
Total assets	<u>232,514</u>	<u>\$ 6,256</u>
Liabilities:		
Due to others	-	\$ 2,132
Undistributed monies	-	4,124
	<u> </u>	<u> </u>
Total liabilities.	<u>-</u>	<u>\$ 6,256</u>
Net assets:		
Held in trust for other purposes	<u>232,514</u>	
Total net assets.	<u>\$ 232,514</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COSHOCTON

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Additions:	
Investment income	\$ 1,789
Total additions	<u>1,789</u>
Deductions:	
Benefits	<u>8,252</u>
Total deductions	<u>8,252</u>
Change in net assets	(6,463)
Net assets at beginning of year	<u>238,977</u>
Net assets at end of year	<u>\$ 232,514</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

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) guidance issued on or before November 30, 1989, to its governmental and business-type activities and its proprietary funds provided it does not conflict with or contradict GASB pronouncements. The City has the option to also apply FASB guidance 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 this FASB guidance. 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 organization's Governing Board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; 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, 2010

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 twenty 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 2010, OMEGA received \$1,752 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 anybody 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 anybody shall be retained by that party.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

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, 2010

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.

Street fund - The street fund accounts for all transactions relating to street maintenance and construction.

NSP fund - The purpose of the neighborhood stabilization program (NSP) fund is to account for the demolition of foreclosed and abandoned homes within the City.

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) 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.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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

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.

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, 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, 2010

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

Revenues - Exchange and Nonexchange Transactions - Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are 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, 2010, but which were levied to finance year 2011 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, 2010, are recorded as deferred revenue on the governmental fund financial statements.

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, 2010

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 2010.

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, 2010**

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 2010, investments were limited to 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, 2010.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2010 amount to \$6,211 which includes \$6,047 assigned from other City funds.

The City has segregated bank accounts for monies held separate from the City's central bank account. These non-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, all investments 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 have been calculated by averaging the inventory of prior years and have been 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. Consistent with prior years, the inventory in the 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, 2010

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. 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	10 - 20 years	10 - 20 years
Buildings and improvements	30 - 50 years	30 - 50 years
Furniture and equipment	5 - 20 years	5 - 20 years
Vehicles	8 - 10 years	8 - 10 years
Infrastructure	20 years	10 - 20 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, 2010

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, 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, 2010

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, 2010, net assets restricted by enabling legislation were \$4,395 on the statement of net assets.

P. Bond Issuance Cost and Accounting Loss

Bond issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized bond issuance costs are reported as a separate line item on the statement of net assets.

For advance refundings resulting in the defeasance of debt reported in the government-wide financial statements and in the proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction from the face amount of the new debt.

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 2010.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2010, the City has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the City.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the City.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the City.

B. Fund balance/Net Asset Deficits

<u>Major fund</u>	Fund Balance <u>Deficit</u>
Fire fund	\$ 15,003

This fund complied with Ohio State law, which does not permit a cash basis deficit at year end. The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance result from adjustments for accrued liabilities.

At December 31, 2010, the health insurance internal service fund also reported deficit net assets in the amount of \$89,881. 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 5705.10, the City incurred negative cash fund balances throughout 2010 and as of December 31, 2010.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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.

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 items 1 or 2 above 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.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Cash in Segregated Accounts

At December 31, 2010, \$4,124 was deposited in a segregated account for the City's Municipal Court. This amount is excluded from the internal cash pool and is reported on the statement of fiduciary net assets as "cash in segregated accounts".

B. Deposits with Financial Institutions

At December 31, 2010, the carrying amount of all City deposits was \$5,231,628. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2010, \$3,198,589 of the City's bank balance of \$5,339,280 was exposed to custodial risk as discussed below, while \$2,140,691 was covered by the FDIC.

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.

C. Investments

As of December 31, 2010, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	\$ 216,457	\$ 216,457
Total	<u>\$ 216,457</u>	<u>\$ 216,457</u>

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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 rating service.

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, 2010:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 216,457	100.00
Total	<u>\$ 216,457</u>	<u>100.00</u>

D. 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, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 5,231,628
Investments	216,457
Cash in segregated accounts	<u>4,124</u>
Total	<u>\$ 5,452,209</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 2,203,476
Business type activities	3,010,771
Private-purpose trust fund	232,300
Agency funds	<u>5,662</u>
Total	<u>\$ 5,452,209</u>

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 5 - INTERFUND ACTIVITY

Due from/to other funds consisted of the following at December 31, 2010, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Fire fund	\$ 54,967
General fund	Nonmajor governmental funds	13,579
Fire fund	Nonmajor governmental funds	5,488

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.

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 and public utility 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 revalued 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. 2010 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 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 calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, 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 was eliminated in 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 2009-2010, the City was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 6 - PROPERTY TAXES - (Continued)

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 property taxes, public utility taxes, tangible personal property taxes and outstanding delinquencies which are measurable as of December 31, 2010 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2010 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.

The full tax rate for all City operations for the year ended December 31, 2010 was \$2.80 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

Real property tax	\$ 170,866,310
Public utility tangible personal property	<u>6,028,150</u>
Total Assessed Value	<u>\$ 176,894,460</u>

NOTE 7 - RECEIVABLES

Receivables at December 31, 2010, 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, 2010.

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

Governmental activities:

Income taxes	\$ 805,486
Real and other local taxes	494,132
Accounts	52,123
Accrued interest	2,874
Special assessments	11,336
Due from other governments	723,706

Business-type activities:

Accounts	967,242
Special assessments	12,891

Receivables have been disaggregated on the face of the BFS. The only receivables 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, 2010 was \$24,227.

CITY OF COSHOCTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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, fire fund, street fund and the following nonmajor governmental funds: JEDD fund, fire capital projects fund, capital improvement fund and retirement payouts fund.

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.

THIS SPACE INTENTIONALLY LEFT BLANK

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 10 - CAPITAL ASSETS

A. Governmental activities capital asset activity for the year ended December 31, 2010, was as follows:

<u>Governmental activities:</u>	Balance <u>12/31/09</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>12/31/10</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,059,518	\$ -	\$ -	\$ 1,059,518
Total capital assets, not being depreciated	<u>1,059,518</u>	<u>-</u>	<u>-</u>	<u>1,059,518</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	924,125	-	-	924,125
Vehicles	2,639,665	74,047	-	2,713,712
Infrastructure	<u>7,535,477</u>	<u>259,281</u>	<u>-</u>	<u>7,794,758</u>
Total capital assets, being depreciated	<u>14,207,313</u>	<u>333,328</u>	<u>-</u>	<u>14,540,641</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(12,611)	(3,002)	-	(15,613)
Buildings and improvements	(1,377,521)	(78,259)	-	(1,455,780)
Furniture and equipment	(734,999)	(46,347)	-	(781,346)
Vehicles	(1,078,093)	(193,510)	-	(1,271,603)
Infrastructure	<u>(5,535,277)</u>	<u>(229,073)</u>	<u>-</u>	<u>(5,764,350)</u>
Total accumulated depreciation	<u>(8,738,501)</u>	<u>(550,191)</u>	<u>-</u>	<u>(9,288,692)</u>
Total capital assets, being depreciated, net	<u>5,468,812</u>	<u>(216,863)</u>	<u>-</u>	<u>5,251,949</u>
Governmental activities capital assets, net	<u>\$ 6,528,330</u>	<u>\$ (216,863)</u>	<u>\$ -</u>	<u>\$ 6,311,467</u>

Depreciation expense was charged to governmental activities as follows:

<u>Governmental activities:</u>	
General government	\$ 28,796
Security of persons and property	240,201
Public health and welfare	5,824
Transportation	257,427
Leisure time activity	<u>17,943</u>
Total depreciation expense - governmental activities	<u>\$ 550,191</u>

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 10 - CAPITAL ASSETS - (Continued)

B. Business-type activities capital asset activity for the year ended December 31, 2010, was as follows:

<u>Business-type activities:</u>	Balance <u>12/31/09</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/10</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 34,500	\$ 557,450	\$ -	\$ 591,950
Construction in progress	<u>9,912,982</u>	<u>-</u>	<u>(9,912,982)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>9,947,482</u>	<u>557,450</u>	<u>(9,912,982)</u>	<u>591,950</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	46,852	16,325	-	63,177
Buildings and improvements	7,849,133	2,441,714	-	10,290,847
Furniture and equipment	6,880,638	2,660,561	-	9,541,199
Vehicles	453,016	44,676	-	497,692
Infrastructure	<u>13,966,760</u>	<u>4,236,932</u>	<u>-</u>	<u>18,203,692</u>
Total capital assets, being depreciated	<u>29,196,399</u>	<u>9,400,208</u>	<u>-</u>	<u>38,596,607</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(42,384)	(3,122)	-	(45,506)
Buildings and improvements	(3,456,263)	(243,808)	-	(3,700,071)
Furniture and equipment	(3,472,835)	(292,283)	-	(3,765,118)
Vehicles	(320,646)	(27,115)	-	(347,761)
Infrastructure	<u>(10,701,732)</u>	<u>(413,063)</u>	<u>-</u>	<u>(11,114,795)</u>
Total accumulated depreciation	<u>(17,993,860)</u>	<u>(979,391)</u>	<u>-</u>	<u>(18,973,251)</u>
Total capital assets, being depreciated, net	<u>11,202,539</u>	<u>8,420,817</u>	<u>-</u>	<u>19,623,356</u>
Business-type activities capital assets, net	<u>\$ 21,150,021</u>	<u>\$ 8,978,267</u>	<u>\$ (9,912,982)</u>	<u>\$ 20,215,306</u>

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 10 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to the enterprise funds:

Business-type activities:

Water	\$ 609,732
Sewer	<u>369,659</u>
Total depreciation expense - business-type activities	<u>\$ 979,391</u>

NOTE 11 - 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, 720 hours or 480 hours of accumulated, unused sick leave depending on the policy or union agreement the employee is under. As of December 31, 2010, the liability for unpaid compensated absences was \$964,172 for the entire City, which is reported as a fund liability and/or on the government-wide financial statements as applicable.

NOTE 12 - LONG-TERM OBLIGATIONS

During 2010, the following changes occurred in the City's long-term obligations:

	Balance		Balance	Amounts	
<u>Governmental activities:</u>	<u>12/31/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/10</u>	<u>Due in</u>
					<u>One Year</u>
Compensated absences	\$ 645,570	\$ 129,192	\$ (90,439)	\$ 684,323	\$ 117,050
Note payable	323,575	-	(323,575)	-	-
OPWC - South Second Street Roadway improvements	<u>-</u>	<u>244,319</u>	<u>(12,216)</u>	<u>232,103</u>	<u>24,432</u>
Total other long-term obligations	<u>\$ 969,145</u>	<u>\$ 373,511</u>	<u>\$ (426,230)</u>	<u>\$ 916,426</u>	<u>\$ 141,482</u>

On December 2, 2008, the City entered a \$600,000 note to purchase a new fire truck. This note bears a 3.930% interest rate and the final payment was made during 2010. Payments of principal and interest on the note were 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, 2010

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Improvements to the City's South Second Street were financed by an Ohio Public Works Commission (OPWC) loan. This loan has a 0% interest rate and matures July 1, 2020. At December 31, 2010, the City's future annual principal payments were as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>
2011	\$ 24,432
2012	24,432
2013	24,432
2014	24,432
2015	24,432
2016 - 2020	<u>109,943</u>
Total	<u>\$ 232,103</u>

The loan is payable in semi-annual installments and during the current year was paid from the 7 ½ state route fund (a nonmajor governmental fund) and from the motor vehicle license fund (a nonmajor governmental fund).

<u>Business-type activities:</u>	<u>Balance</u> <u>12/31/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/10</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
<u>Revenue Bonds</u>					
2001 Sewer System Improvement 3.25% to 4.25%	\$ 745,000	\$ -	\$ (240,000)	\$ 505,000	\$ 250,000
Total - revenue bonds	<u>745,000</u>	<u>-</u>	<u>(240,000)</u>	<u>505,000</u>	<u>250,000</u>
<u>OWDA loans</u>					
OWDA loan 3.5%	8,278,214	10,762	(388,605)	7,900,371	388,605
OWDA loan 3%	<u>7,492,885</u>	<u>-</u>	<u>-</u>	<u>7,492,885</u>	<u>-</u>
Total OWDA loans	<u>15,771,099</u>	<u>10,762</u>	<u>(388,605)</u>	<u>15,393,256</u>	<u>388,605</u>
<u>Other long-term obligations</u>					
Compensated absences	<u>258,954</u>	<u>46,805</u>	<u>(25,910)</u>	<u>279,849</u>	<u>29,602</u>
Total other long-term obligations	<u>258,954</u>	<u>46,805</u>	<u>(25,910)</u>	<u>279,849</u>	<u>29,602</u>
Total business-type activities long-term obligations	<u>\$ 16,775,053</u>	<u>\$ 57,567</u>	<u>\$ (654,515)</u>	16,178,105	<u>\$ 668,207</u>
Less: unamortized deferred charges on refunding				<u>(26,396)</u>	
Total reported on the statement of net assets				<u>\$ 16,151,709</u>	

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

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

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, home health fund (a nonmajor governmental fund), sewer fund and water fund.

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 47.32 percent of net revenues. The total principal and interest remaining to be paid on the Series 2001 sewer system refunding revenue bonds is \$505,000 and \$31,988, respectively. Principal and interest paid for the current year and total customer net revenues were \$270,750 and \$572,132 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, 2010, the City has outstanding borrowings of \$7,900,371. As of December 31, 2010, 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, 2010, the City has outstanding borrowings of \$7,492,885.

The City has pledged future water and sewer revenues to repay OWDA loans. The loans are payable solely from water and sewer fund revenues and are payable through 2025. Annual principal and interest payments on the loans are expected to require 51.32 percent of net revenues and 17.29 percent of total revenues. The total principal and interest remaining to be paid on the loans is \$19,097,693. Principal and interest paid for the current year were \$907,693, total net revenues were \$1,768,652 and total revenues were \$5,250,733.

As of December 31, 2010, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$18,573,918.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire the City's bonds and OWDA loans outstanding at December 31, 2010 are as follows:

Year Ending December 31,	Revenue Bonds			OWDA		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 250,000	\$ 21,150	\$ 271,150	\$ -	\$ 224,787	\$ 224,787
2012	255,000	10,838	265,838	-	224,787	224,787
2013	-	-	-	-	224,787	224,787
2014	-	-	-	-	224,787	224,787
2015	-	-	-	652,931	219,926	872,857
2016-2020	-	-	-	3,572,882	791,404	4,364,286
2021-2024	-	-	-	3,267,072	224,355	3,491,427
Total	<u>\$ 505,000</u>	<u>\$ 31,988</u>	<u>\$ 536,988</u>	<u>\$ 7,492,885</u>	<u>\$ 2,134,833</u>	<u>\$ 9,627,718</u>

NOTE 13 - SHORT-TERM OBLIGATIONS

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

	Issue Date	Maturity Date	Outstanding 12/31/09	Issued	Retired	Outstanding 12/31/10
Business-type activities:						
Water Note - 6.50%	2/12/2009	2/10/2010	\$ 750,000	\$ -	\$ (750,000)	\$ -
Water Note - 3.00%	2/10/2010	2/9/2011	-	650,000	-	650,000
Total			<u>\$ 750,000</u>	<u>\$ 650,000</u>	<u>\$ (750,000)</u>	<u>\$ 650,000</u>

NOTE 14 - 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 2010, the City contracted for various types of insurance as follows:

Company	Type	Coverage
Rinehart, Walters, Danner & Associates	Public Officials Liability (each wrongful act)	\$ 5,000,000
	General Liability (per occurrence)	5,000,000
	Comprehensive Crime	80,000
	Commercial Inland Marine	1,854,283
	Electronic Equipment	165,523
	Electronic Media	10,000
	Employers Liability (Ohio Stop Gap)	5,000,000
	Employee Benefits (each incident)	5,000,000
	Property	54,770,492
	Automobile	5,000,000

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 14 - RISK MANAGEMENT - (Continued)

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.

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 City's policy for reporting a claims liability is based on the requirements GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims. As of December 31, 2010, there were \$91,814 in outstanding claims pending that are reported in the internal service fund at December 31, 2010.

<u>Year Ended</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2010	\$ 186,361	\$ 901,378	\$ (995,925)	\$ 91,814
2009	94,716	913,262	(821,617)	186,361

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 15 - PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% 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 in nature to, but less than 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.

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 2010, 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 2010 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.5% and 11.1%, respectively. The City's contribution rate for 2010 was 14.00%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.87% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan for 2010 was 8.50% from January 1 through February 28, 2010 and 9.00% from March 1 through December 31, 2010. The City's contribution rate for pension benefits for members in the Combined Plan for 2010 was 9.27% from January 1 through February 28, 2010 and 9.77% from March 1 through December 31, 2010. For those plan members in law enforcement and public safety pension contributions were 12.37% from January 1 through February 28, 2010 and 12.87% from March 1 through December 31, 2010. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2010, 2009, and 2008 were \$179,435, \$221,943, and \$164,443, respectively; 82.73% has been contributed for 2010 and 100% has been contributed for 2009 and 2008. Contributions to the member-directed plan for 2010 were \$8,215 made by the City and \$5,868 made by the plan members.

CITY OF COSHOCTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE 15 - PENSION PLANS - (Continued)

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 2010, 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 firefighters for the years ended December 31, 2010, 2009 and 2008 were \$153,710, \$144,696 and \$137,375, respectively; 71.10% has been contributed for 2010 and 100% has been contributed for 2009 and 2008.

NOTE 16 - 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. 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.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2010, local government employers contributed 14.00% of covered payroll (17.87% 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 Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll (18.1% for public safety and law enforcement). The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2010 was 5.50% from January 1 through February 28, 2010 and 5.00% from March 1 through December 31, 2010. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2010 was 4.73% from January 1 through February 28, 2010 and 4.23% from March 1 through December 31, 2010.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits 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, 2010, 2009, and 2008 were \$101,341, \$159,055, and \$164,443, respectively; 82.73% has been contributed for 2010 and 100% has been contributed for 2009 and 2008.

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 for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the 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 health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

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

OP&F issues a publicly available financial report that includes financial 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.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan 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, 2010, 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.

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for the years ended December 31, 2010, 2009 and 2008 were \$60,148, \$56,620 and \$56,324, respectively; 71.10% has been contributed for 2010 and 100% has been contributed for 2009 and 2008.

NOTE 17 - 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.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

	<u>General</u>	<u>Fire</u>	<u>Street</u>	<u>NSP</u>
Budget basis	\$ 104,010	\$ (23,639)	\$ 260,242	\$ 22,991
Net adjustment for revenue accruals	35,413	(1,453)	11,302	-
Net adjustment for expenditure accruals	(85,408)	21,036	(6,057)	20,776
Adjustment for encumbrances	1,288	-	32	36,087
GAAP basis	<u>\$ 55,303</u>	<u>\$ (4,056)</u>	<u>\$ 265,519</u>	<u>\$ 79,854</u>

NOTE 18 - 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, 2010.

B. Litigation

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

NOTE 19 - SUBSEQUENT EVENTS

The City issued \$550,000 in water system improvement notes on February 8, 2011 to mature February 7, 2012, bearing a 3.25% interest rate.

The Ethanol Plant is delinquent in their payment to the City in the amount of \$299,515, as of May 3, 2011. The City filed a lawsuit against the Ethanol Plant in 2011 for non-payment of the Ethanol Plant's portion of the Plant's loan payments.

This page intentionally left blank.

CITY OF COSHOCTON
COSHOCTON COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2010

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	PASS THROUGH ENTITY NUMBER	FEDERAL CFDA NUMBER	RECEIPTS	EXPENDITURES
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
<i>Passed through the Ohio Department of Development:</i>				
Community Development Block Grants/State's Program	A-C-08-109-1	14.228	\$ 61,080	\$ 83,236
Community Development Block Grants/State's Program	A-F-09-109-1	14.228	4,375	4,375
Community Development Block Grants/State's Program	A-F-10-109-1	14.228	56,100	-
Community Development Block Grants/State's Program	A-Z-08-109-1	14.228	<u>997,715</u>	<u>938,637</u>
Total Community Development Block Grants/State's Program			1,119,270	1,026,248
Total Home Improvement Partnership Program	A-C-08-109-2	14.239	<u>94,677</u>	<u>168,771</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 1,213,947</u>	<u>\$ 1,195,019</u>

See accompanying Notes to Federal Awards Receipts and Expenditures Schedule.

**CITY OF COSHOCTON
COSHOCTON COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the City's federal award program disbursements. The Schedule has been prepared on the cash basis of accounting.



Dave Yost • 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 as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 2, 2011, wherein we were unable to obtain evidence to support the material and supplies inventory reported in the Street Fund. Except as discussed in the preceding sentence, 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying Schedule of Findings to be a material weakness.

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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2010-002.

We also noted certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated September 2, 2011.

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 responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, City Council, and federal awarding agencies and pass-through entities and others within the City. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State

September 2, 2011



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Honorable Mayor and City Council:

Compliance

We have audited the compliance of the City of Coshocton, Coshocton County, Ohio (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the City of Coshocton's major federal program for the year ended December 31, 2010. The summary of auditor's results section of the accompanying Schedule of Findings identifies the City's major federal program. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Coshocton complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2010.

Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We also noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the City's management in a separate letter dated September 2, 2011.

We intend this report solely for the information and use of the audit committee, management, City Council, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

September 2, 2011

**CITY OF COSHOCTON
COSHOCTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Disclaimer
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Community Development Block Grant, CFDA #14.228
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Finding Number 2010-001

1. Material and Supplies Inventory

MATERIAL WEAKNESS

The City's major Street Fund reported consumable Materials and Supplies Inventory totaling \$73,166; however, the City did not perform a physical consumable inventory count as of December 31, 2010. Without supporting documentation, the validity of the major Street Funds consumable material and supplies inventory balance could not be determined. Additionally, while a consumable materials and supplies inventory count was performed by the Water Department, the consumable materials and supplies inventory count sheets were found to be incomplete, and certain consumable material and

supplies inventory items on hand as of December 31, 2010 were improperly excluded. As a result, the financial statements could be over/understated.

All City departments should either perform a count of consumable materials and supplies inventory items annually or implement a perpetual consumable materials and supplies inventory tracking system. Consumable materials and supplies inventory counts should be performed by experienced personnel under appropriate supervision close to year end, or an initial count should be made by experienced personnel and be continually updated as consumable materials and supplies inventory are consumed or purchased. Count sheets should include a listing of each item, the number of each item, the cost per unit of each item as obtained from vendor invoices or catalogs and the total cost for each inventory item. This will help ensure the City maintains complete consumable materials and supplies inventory records and reports the accurate amounts on the financial statements.

Official's Response: The Auditor's Office has advised the Street Department that they should maintain an inventory listing and submit it annually to our Office, regardless of whether or not it is requested.

Finding Number 2010-002

2. Ohio Rev. Code Section 5705.10 - Negative Fund Balances

NONCOMPLIANCE

Ohio Rev. Code Section 5705.10 requires that monies paid into any fund 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 2010 and at December 31, 2010, certain funds incurred negative cash fund balances as follows:

<u>Fund</u>	<u>Variance</u>
Fund 101 - General Fund	(\$79,134) to (\$187,992)
Fund 110 - Fire Fund	(49,144) to (84,495)
Fund 201 - Street Fund	(21,133) to (86,620)
Fund 207 - 7 1/2 State Route Fund	(41,923)
Fund 401 - Capital Improvement Fund	(927)

The City Auditor should monitor receipts and disbursements on a regular basis to help ensure a sufficient cash fund balance exists before authorizing the expenditure of funds.

Official's Response: The client has elected not to respond.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

None

**CITY OF COSHOCTON
COSHOCTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Rev. Code Section 5705.10, numerous funds incurred negative fund balances throughout 2009.	No	Not corrected, see Schedule of Findings.

This Page is Intentionally Left Blank.



Dave Yost • 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
SEPTEMBER 29, 2011