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**CITY OF WELLSTON, OHIO**

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**JACKSON COUNTY**

**SINGLE AUDIT**

**For the Year Ended December 31, 1999**

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**J. L. UHRIG & ASSOCIATES**

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**CERTIFIED PUBLIC ACCOUNTANT**

**78 North Plaza Blvd.  
Chillicothe, Ohio 45601**



**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**  

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JIM PETRO, AUDITOR OF STATE

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Members of City Council  
City of Wellston  
203 East Broadway Street  
Wellston, Ohio 45692

We have reviewed the Independent Auditor's Report of the City of Wellston, Jackson County, prepared by J. L. Uhrig & Associates, for the audit period January 1, 1999 to December 31, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO  
Auditor of State

November 13, 2000

**CITY OF WELLSTON, OHIO**  
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# J. L. UHRIG & ASSOCIATES

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Certified Public Accountant

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## Independent Auditor's Report

Members of Council  
City of Wellston  
203 East Broadway Street  
Wellston, Ohio 45692

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

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated October 13, 2000 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the City, taken as a whole. The accompanying schedule of federal awards expenditures required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

## J. L. Uhrig & Associates

J. L. UHRIG AND ASSOCIATES  
Certified Public Accountant

October 13, 2000

**CITY OF WELLSTON, OHIO**  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 As of December 31, 1999

	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPES
	General	Special Revenue	Capital Projects	Enterprise
<b>Assets and Other Debits:</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$12,181	\$469,660	\$7,344	\$923,228
Investments	0	2,220,825	0	0
Receivables:				
Taxes	170,554	319,167	0	0
Accounts	0	0	0	345,856
Accrued Interest	9,497	0	0	0
Notes Receivable	0	0	0	466,665
Due from Other Funds	7,341	0	0	0
Due from Other Governments	4,475	0	0	0
Materials and Supplies				
Inventory	2,812	11,735	0	14,281
Loans Receivable	0	513,809	0	0
Prepaid Items	2,390	735	0	5,179
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	11,431,089
<b>Other Debits:</b>				
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
<b>Total Assets and Other Debits</b>	<b>\$209,250</b>	<b>\$3,535,931</b>	<b>\$7,344</b>	<b>\$13,186,298</b>

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FIDUCIARY FUND TYPE	ACCOUNT GROUPS			Totals (Memorandum Only)
	Trust and Agency	General Fixed Assets	General Long-Term Debt	
\$103,722	\$0	\$0	\$1,516,135	
147,253	0	0	2,368,078	
0	0	0	489,721	
0	0	0	345,856	
2,034	0	0	11,531	
0	0	0	466,665	
30,292	0	0	37,633	
0	0	0	4,475	
0	0	0	28,828	
0	0	0	513,809	
0	0	0	8,304	
0	3,815,903	0	15,246,992	
0	0	76,725	76,725	
\$283,301	\$3,815,903	\$76,725	\$21,114,752	

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(Continued)

**CITY OF WELLSTON, OHIO**  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 As of December 31, 1999

	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPES
	General	Special Revenue	Capital Projects	Enterprise
<b>Liabilities, Fund Equity and Other Credits:</b>				
<b>Liabilities:</b>				
Accounts Payable	\$8,940	\$25,737	\$0	\$43,094
Accrued Wages and Benefits	7,755	5,486	0	14,081
Compensated Absences Payable	3,324	3,119	0	55,055
Due to Other Funds	0	36,884	0	749
Due to Other Governments	53,772	27,671	0	28,419
Deferred Revenue	165,577	295,957	0	0
Deposits Held and Due to Others	0	0	0	0
Accrued Interest Payable	364	0	0	46,218
Capital Leases Payable	0	0	0	0
Notes Payable	0	21,000	0	70,000
Loans Payable	0	0	0	6,858,178
<i>Total Liabilities</i>	<i>239,732</i>	<i>415,854</i>	<i>0</i>	<i>7,115,794</i>
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	3,981,946
Retained Earnings:				
Unreserved	0	0	0	2,088,558
Fund Balance:				
Reserved for Loans	0	513,809	0	0
Reserved for Inventory	2,812	11,735	0	0
Reserved for Encumbrances	1,726	121,363	0	0
Reserved for Prepaid Items	2,390	735	0	0
Reserved for Principal Endowment	0	0	0	0
Unreserved:				
Undesignated (Deficit)	(37,410)	2,472,435	7,344	0
<i>Total Fund Equity (Deficit)</i>	<i>(30,482)</i>	<i>3,120,077</i>	<i>7,344</i>	<i>6,070,504</i>
<i>Total Liabilities and Fund Equity and Other Credits</i>	<i>\$209,250</i>	<i>\$3,535,931</i>	<i>\$7,344</i>	<i>\$13,186,298</i>

The notes to the financial statements are an integral part of this statement.

FIDUCIARY FUND TYPE	ACCOUNT GROUPS			Totals (Memorandum Only)
	Trust and Agency	General Fixed Assets	General Long-Term Debt	
	\$0	\$0	\$0	\$77,771
	0	0	0	27,322
	0	0	50,199	111,697
	0	0	0	37,633
	0	0	0	109,862
	0	0	0	461,534
16,613	0	0	0	16,613
	0	0	0	46,582
	0	0	26,526	26,526
	0	0	0	91,000
	0	0	0	6,858,178
-----	-----	-----	-----	-----
16,613	0	76,725	0	7,864,718
-----	-----	-----	-----	-----
	0	3,815,903	0	3,815,903
	0	0	0	3,981,946
	0	0	0	2,088,558
	0	0	0	513,809
	0	0	0	14,547
	0	0	0	123,089
	0	0	0	3,125
266,688	0	0	0	266,688
	0	0	0	2,442,369
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266,688	3,815,903	0	0	13,250,034
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\$283,301	\$3,815,903	\$76,725	\$0	\$21,114,752
=====	=====	=====	=====	=====

**CITY OF WELLSTON, OHIO**  
 Combined Statement of Revenues, Expenditures  
 And Changes in Fund Balances  
 All Governmental Fund Types  
 For the Year Ended December 31, 1999

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Revenues:</b>				
Taxes	\$109,195	\$237,637	\$0	\$346,832
Charges for Services	754	46,367	3,525	50,646
Fees, Licenses and Permits	14,784	20,553	0	35,337
Fines and Forfeitures	27,102	0	0	27,102
Intergovernmental	232,989	930,998	0	1,163,987
Interest	193,989	42,289	0	236,278
Net Increase (Decrease) in Investments	0	(105,549)	0	(105,549)
Rental	44,200	0	0	44,200
Other	32,081	100,912	0	132,993
<i>Total Revenues</i>	<i>655,094</i>	<i>1,273,207</i>	<i>3,525</i>	<i>1,931,826</i>
<b>Expenditures:</b>				
Current:				
General Government:				
Legislative and Executive	268,719	5,800	0	274,519
Security of Persons & Property	447,126	189,900	0	637,026
Leisure Time Activity	0	41,851	0	41,851
Health	0	118,313	0	118,313
Transportation	0	590,995	0	590,995
Community Environment	0	328,432	0	328,432
Capital Outlay	0	0	50	50
Other	0	316,285	0	316,285
Debt Service:				
Principal Retirement	0	12,102	0	12,102
Interest and Fiscal Charges	364	765	0	1,129
<i>Total Expenditures</i>	<i>716,209</i>	<i>1,604,443</i>	<i>50</i>	<i>2,320,702</i>
Excess of Revenues Over (Under) Expenditures	(61,115)	(331,236)	3,475	(388,876)
<b>Other Financing Sources (Uses):</b>				
Operating Transfers - In	0	14,213	700	14,913
Operating Transfers - Out	(14,213)	(700)	0	(14,913)
<i>Total Other Financing Sources (Uses)</i>	<i>(14,213)</i>	<i>13,513</i>	<i>700</i>	<i>0</i>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(75,328)	(317,723)	4,175	(388,876)
Fund Balances at Beginning of Year				
Restated - See Note 15	44,846	3,437,800	3,169	3,485,815
Fund Balance (Deficit) at End of Year	(\$30,482)	\$3,120,077	\$7,344	\$3,096,939

The notes to the financial statements are an integral part of this statement.

**CITY OF WELLSTON, OHIO**  
 Combined Statement of Revenues, Expenditures and Changes  
 In Fund Balances - Budget (Non-GAAP Basis) and Actual  
 All Governmental Fund Types  
 For the Year Ended December 31, 1999

	GENERAL		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<b>Revenues:</b>			
Taxes	\$145,600	\$139,203	(\$6,397)
Charges for Services	1,000	754	(246)
Fees, Licenses and Permits	13,900	14,784	884
Fines and Forfeitures	21,500	27,102	5,602
Intergovernmental	157,200	188,284	31,084
Interest	183,000	191,660	8,660
Rental	38,800	44,200	5,400
Other	71,000	74,843	3,843
<i>Total Revenues</i>	<i>632,000</i>	<i>680,830</i>	<i>48,830</i>
<b>Expenditures:</b>			
Current:			
General Government:			
Legislative and Executive	297,660	296,441	1,219
Security of Persons and Property	439,350	456,001	(16,651)
<i>Total Expenditures</i>	<i>737,010</i>	<i>752,442</i>	<i>(15,432)</i>
Excess of Revenues Over (Under) Expenditures	(105,010)	(71,612)	33,398
<b>Other Financing Sources (Uses):</b>			
Operating Transfers - Out	(5,000)	(14,213)	(9,213)
<i>Total Other Financing Sources (Uses)</i>	<i>(5,000)</i>	<i>(14,213)</i>	<i>(9,213)</i>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(110,010)	(85,825)	24,185
Fund Balance at Beginning of Year	88,876	88,876	0
Fund Balance at End of Year	(\$21,134)	\$3,051	\$24,185

(Continued)

**CITY OF WELLSTON, OHIO**  
 Combined Statement of Revenues, Expenditures and Changes  
 In Fund Balances - Budget (Non-GAAP Basis) and Actual  
 All Governmental Fund Types  
 For the Year Ended December 31, 1999

	<b>SPECIAL REVENUE</b>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Taxes	\$283,500	\$276,420	(\$7,080)
Charges for Services	43,950	46,367	2,417
Fees, Licenses, and Permits	21,800	20,553	(1,247)
Intergovernmental	537,800	849,517	311,717
Interest	23,500	42,015	18,515
Other	80,850	264,752	183,902
<i>Total Revenues</i>	<i>991,400</i>	<i>1,499,624</i>	<i>508,224</i>
<b>Expenditures:</b>			
Current:			
General Government:			
Legislative & Executive	0	5,800	(5,800)
Health	93,000	129,388	(36,388)
Leisure Time Activity	37,250	45,567	(8,317)
Transportation	575,950	615,293	(39,343)
Security of Persons and Property	195,100	198,343	(3,243)
Community Environment	180,800	417,529	(236,729)
Other	280,000	316,285	(36,285)
Debt Service:			
Payment on Principal	15,273	14,354	919
Interest and Fiscal Charges	727	727	0
<i>Total Expenditures</i>	<i>1,378,100</i>	<i>1,743,286</i>	<i>(365,186)</i>
Excess of Revenues Over (Under) Expenditures	(386,700)	(243,662)	143,038
<b>Other Financing Sources (Uses):</b>			
Proceeds of Notes	21,000	21,000	0
Operating Transfers - In	5,000	14,213	9,213
Operating Transfers - Out	0	(700)	(700)
<i>Total Other Financing Sources (Uses)</i>	<i>26,000</i>	<i>34,513</i>	<i>8,513</i>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(360,700)	(209,149)	151,551
Fund Balance at Beginning of Year	2,728,405	2,728,405	0
Fund Balance at End of Year	<b>\$2,367,705</b>	<b>\$2,519,256</b>	<b>\$151,551</b>

(Continued)

**CITY OF WELLSTON, OHIO**  
 Combined Statement of Revenues, Expenditures and Changes  
 In Fund Balances - Budget (Non-GAAP Basis) and Actual  
 All Governmental Fund Types  
 For the Year Ended December 31, 1999  
 (Continued)

	CAPITAL PROJECTS		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<b>Revenues:</b>			
Charges for Services	\$1,500	\$3,525	\$2,025
<i>Total Revenues</i>	<i>1,500</i>	<i>3,525</i>	<i>2,025</i>
<b>Expenditures:</b>			
Capital Outlay	2,500	50	2,450
<i>Total Expenditures</i>	<i>2,500</i>	<i>50</i>	<i>2,450</i>
Excess of Revenues Over (Under) Expenditures	(1,000)	3,475	4,475
<b>Other Financing Sources (Uses):</b>			
Operating Transfers - In	0	700	700
<i>Total Other Financing Sources (Uses)</i>	<i>0</i>	<i>700</i>	<i>700</i>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,000)	4,175	5,175
Fund Balance at Beginning of Year	3,169	3,169	0
Fund Balance at End of Year	\$2,169	\$7,344	\$5,175

The notes to the financial statements are an integral part of this statement.

**CITY OF WELLSTON, OHIO**  
 Combined Statement of Revenues, Expenses, and  
 Changes in Fund Equity  
 All Proprietary Fund Types and Similar Trust Fund  
 For the Year Ended December 31, 1999

	<u>PROPRIETARY FUND TYPES</u>	<u>FIDUCIARY FUND TYPES</u>	
	<u>Enterprise</u>	<u>Non-Expendable Trust</u>	<u>Totals (Memorandum Only)</u>
<b><i>Operating Revenues:</i></b>			
Charges for Services	\$1,954,440	\$9,844	\$1,964,284
Investment Income	0	825	(1,986)
Net Increase (Decrease) in Investments	0	(2,811)	(2,811)
Other Operating Revenues	54,680	0	51,869
<b><i>Total Operating Revenues</i></b>	<b>2,009,120</b>	<b>7,858</b>	<b>2,016,978</b>
<b><i>Operating Expenses:</i></b>			
Salaries	699,557	0	699,557
Fringe Benefits	258,477	0	258,477
Purchased Services	4,511	0	4,511
Materials and Supplies	299,021	0	299,021
Depreciation	342,564	0	342,564
Contractual Services	416,314	0	416,314
Other	112,013	0	112,013
<b><i>Total Operating Expenses</i></b>	<b>2,132,457</b>	<b>0</b>	<b>2,132,457</b>
Operating Income (Loss)	(123,337)	7,858	(115,479)
<b><i>Non-Operating Revenues (Expenses):</i></b>			
Interest and Fiscal Charges	(179,544)	0	(179,544)
<b><i>Total Non-Operating Revenues (Expenses)</i></b>	<b>(179,544)</b>	<b>0</b>	<b>(179,544)</b>
Income (Loss) Before Operating Transfers	(302,881)	7,858	(295,023)
Operating Transfers - In	16,000	0	16,000
Operating Transfers - Out	(16,000)	0	(16,000)
Net Income (Loss)	(302,881)	7,858	(295,023)
Depreciation on Fixed Assets Acquired by Contributed Capital	65,388	0	65,388
Retained Earnings at Beginning of Year Restated - See Note 15	2,326,051	258,830	2,584,881
Retained Earnings at End of Year	2,088,558	266,688	2,355,246
Contributed Capital at Beginning of Year	4,047,334	0	4,047,334
Depreciation on Fixed Assets Acquired by Contributed Capital	(65,388)	0	(65,388)
Contributed Capital at End of Year	3,981,946	0	3,981,946
<b>Total Fund Equity at End of Year</b>	<b>\$6,070,504</b>	<b>\$266,688</b>	<b>\$6,337,192</b>

The notes to the financial statements are an integral part of this statement.

**CITY OF WELLSTON, OHIO**  
 Combined Statement of Cash Flows  
 All Proprietary Fund Types and Similar Trust Fund  
 For the Year Ended December 31, 1999

	<u>PROPRIETARY FUND TYPES</u>	<u>FIDUCIARY FUND TYPES</u>	
	Enterprise	Non-Expendable Trust	Totals (Memorandum Only)
<b><i>Increase (Decrease) in Cash and Cash Equivalents:</i></b>			
<b><i>Cash Flows from Operating Activities:</i></b>			
Cash Received from Customers	\$1,971,559	\$9,844	\$1,981,403
Cash Received from Other Operating Sources	101,347	0	101,347
Cash Payments to Suppliers for Goods and Services	(841,039)	0	(841,039)
Cash Payments to Employees for Services	(713,837)	0	(713,837)
Cash Payments for Employee Benefits	(311,812)	0	(311,812)
Cash Payments for Other Operating Uses	(56,263)	0	(56,263)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<i>149,955</i>	<i>9,844</i>	<i>159,799</i>
<b><i>Cash Flows from Noncapital Financing Activities:</i></b>			
Operating Transfers - In	16,000	0	16,000
Operating Transfers - Out	(16,000)	0	(16,000)
Short-Term Loans From Other Funds	749	0	749
Short-Term Loans To Other Funds	0	(30,292)	(30,292)
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<i>749</i>	<i>(30,292)</i>	<i>(29,543)</i>
<b><i>Cash Flows from Capital and Related Financing Activities:</i></b>			
Proceeds from Sale of Notes	70,000	0	70,000
Payments for Capital Acquisitions	(326,718)	0	(326,718)
Principal Payments	(277,727)	0	(277,727)
Interest Payments	(173,000)	0	(173,000)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<i>(707,445)</i>	<i>0</i>	<i>(707,445)</i>
Net Increase (Decrease) in Cash and Cash Equivalents	(556,741)	(20,448)	(577,189)
Cash and Cash Equivalents at Beginning of Year	1,479,969	107,557	1,587,526
Cash and Cash Equivalents at End of Year	<b>\$923,228</b>	<b>\$87,109</b>	<b>\$1,010,337</b>

(Continued)

**CITY OF WELLSTON, OHIO**  
 Combined Statement of Cash Flows  
 All Proprietary Fund Types and Similar Trust Fund  
 For the Year Ended December 31, 1999  
 (Continued)

	PROPRIETARY FUND TYPES	FIDUCIARY FUND TYPES	Totals (Memorandum Only)
	Enterprise	Non-Expendable Trust	
<b><i>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</i></b>			
Operating Income (Loss)	(\$123,337)	\$7,858	(\$115,479)
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</i>			
Investment Income	0	(825)	(825)
Net (Increase) Decrease in Investments	0	2,811	1,986
Depreciation	342,564	0	344,550
Changes in Assets and Liabilities:			
(Increase)/Decrease in Accounts Receivable	17,119	0	17,119
(Increase)/Decrease in Loans Receivable	46,667	0	46,667
(Increase)/Decrease in Due from Other Governments	(50,922)	0	(50,922)
(Increase)/Decrease in Prepaid Items	(277)	0	(277)
Increase/(Decrease) in Accounts Payable	(65,166)	0	(65,166)
Increase/(Decrease) in Accrued Wages and Benefits	(12,605)	0	(12,605)
Increase/(Decrease) in Compensated Absences Payable	(4,088)	0	(4,088)
Total Adjustments	273,292	1,986	275,278
Net Cash Provided by (Used for) Operating Activities	\$149,955	\$9,844	\$159,799
Cash and Cash Equivalents - All Fiduciary Funds		\$103,722	
Cash and Cash Equivalents - Agency Funds		16,613	
Cash and Cash Equivalents - Non-Expendable Trust Fund		\$87,109	

The notes to the financial statements are an integral part of this statement.

**CITY OF WELLSTON, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 1999

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Wellston have been prepared in conformity with generally accepted accounting principles (GAAP) as applies to governmental units. The Governmental Accounting Standards Board is the accepted standard - setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board Statements and Interpretations issued before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

**A. CITY GOVERNMENT AND REPORTING ENTITY**

The City of Wellston (the "City"), is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City was founded in 1873.

The City of Wellston is a home rule municipal corporation established under the laws of the State of Ohio. The legislative authority is vested in a seven member council all of whom are elected at-large for staggered four year terms. The presiding officer is the president, who is elected by the Council for a one year term. Council enacts ordinances and resolutions relating to tax levies, city services, and licensing, appropriates and borrows money, and accepts bids for materials and services and other municipal purposes. The mayor is elected at-large and is the Chief Executive Officer of the City. The Mayor supervises the administration of all departments and appoints their directors and all other employees in accordance with civil service requirements.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the City are fairly presented and completed. The primary government consists of all funds, departments, boards and commissions that are not legally separate from the City. The City departments include a public safety department, a public service department, a parks and recreation department, a planning and zoning department, utility departments including sewer and water, and staff to provided support to service providers.

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

**CITY OF WELLSTON, OHIO**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1999

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. BASIS OF ACCOUNTING - FUND ACCOUNTING**

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

A fund is a separate accounting entity with self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate fund types. The following categories and fund types are used by the City:

**GOVERNMENTAL FUNDS**

General Fund - The general fund is used to account for all activities of the City not required to be included in another fund.

Special Revenue Funds - The special revenue funds are used to account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Project Funds - The capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the proprietary funds).

**PROPRIETARY FUNDS:**

Enterprise Funds - The enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises. The intent of the City is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service Fund - To account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis.

**FIDUCIARY FUNDS:**

Trust and Agency Funds - These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

**CITY OF WELLSTON, OHIO**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1999

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. BASIS OF ACCOUNTING - FUND ACCOUNTING (Continued)**

**ACCOUNT GROUPS:**

*General Fixed Assets Account Group* - The General Fixed Assets Account Group is used to account for all general fixed assets of the City, other than those fixed assets accounted for in the proprietary funds.

*General Long-Term Obligations Account Group* - The General Long-Term Obligations Account Group is used to account for all long-term obligations of the City, except those accounted for in the proprietary funds.

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

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

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

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the City is sixty days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized as expenditures when due or when amounts have been accumulated in the debt service fund for payments to be made in the following year.

**CITY OF WELLSTON, OHIO**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1999

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)**

Revenues accrued at the end of the year included interest on investments, intergovernmental revenues (including motor vehicle license fees, gasoline tax, and local government assistance), fines and forfeitures, charges for services, and reimbursements due from federal and state funded projects for which corresponding expenditures have been made.

Other revenues, including licenses, permits, certain charges for services, and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

The accrual basis of accounting is used for reporting purposes by the proprietary funds. Revenues are recognized when they are earned and expenses are recorded at the time liabilities are incurred. Unbilled service charges are recognized as revenue at year-end.

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

**D. BUDGETS AND BUDGETARY ACCOUNTING**

The City follows these procedures in establishing the budgetary data reported in the combined financial statements.

**Tax Budget:** By July 15, the Auditor submits an annual tax budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

**Estimated Resources:** The County Budget Commission 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 receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources.

**CITY OF WELLSTON, OHIO**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1999

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. BUDGETS AND BUDGETARY ACCOUNTING (Continued)**

The revised budget then serves as the basis for the annual appropriation measure. Further amendments may be made during the year if the Council determines that revenue to be collected will be greater than or less than prior estimates and the budget commission finds the revised estimate to be reasonable. The amounts set forth in the financial statements represents estimates from the final amended certificate issued in 1999.

Appropriations: A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation budget is prepared by fund and function. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. Supplemental appropriations may be adopted by Council. Amounts shown in the financial statements represent the appropriated budgeted amounts and all supplemental appropriations. Several supplemental appropriations were adopted during 1999 by Council.

Encumbrances: As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of funds are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve the portion of the applicable appropriation and determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance and subsequent year expenditures for governmental funds, and as a note disclosure for proprietary funds.

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

**E. CASH AND INVESTMENTS**

Cash and Investments: To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

During fiscal year 1999, investments were limited to U.S. Treasury Notes, a Certificate of Deposit, and STAR Ohio.

Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

**CITY OF WELLSTON, OHIO**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1999

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. CASH AND INVESTMENTS (continued)**

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

Interest is distributed to various funds based upon the Ohio Revised Code requirements.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, funds included within the Treasurer's cash management pool and investments with original maturities of three months or less are considered to be cash and cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**F. PROPERTY, PLANT AND EQUIPMENT**

The fixed asset values initially were determined at December 31, 1995, assigning original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were developed. Donated fixed assets are capitalized at estimated fair market value on the date donated. The City has established \$1,000 as the threshold for which fixed assets are to be reported.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost.

*General Fixed Assets:* General fixed assets (fixed assets used in governmental fund type operation) are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group at historical cost or estimated historical cost. Assets in the general fixed assets account group are not depreciated.

The City follows the policy of not capitalizing infrastructure, which is defined as assets that are immovable and of value only to the City, (i.e. roads, bridges, etc.), ornamental artifacts, and assets with a cost of less than \$1,000.

**CITY OF WELLSTON, OHIO**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1999

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. PROPERTY, PLANT AND EQUIPMENT (continued)**

*Enterprise Fund Fixed Assets:* Fixed assets reflected in the enterprise funds are stated at historical cost (or estimated historical cost) and are updated for the cost of additions and retirements during the year. Depreciation has been provided on a straight-line basis over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	40 years
Furniture	15 years
Machinery and Equipment	15 years
Vehicles	5 years
Water/Sewer Lines	70 years

**G. INVENTORIES OF SUPPLIES**

Inventories of governmental funds are stated at cost while inventories of enterprise funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the enterprise funds when used. Reported supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

**H. PREPAID ITEMS**

Payments made to vendors for services that will benefit periods beyond December 31, 1999, are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

**I. INTERFUND ASSETS AND LIABILITIES**

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "Due from Other Funds" or "Due to Other Funds" on the balance sheet. Short-term interfund loans or the short-term portion of advances are classified as interfund receivables/payables.

**CITY OF WELLSTON, OHIO**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1999

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. COMPENSATED ABSENCES**

The City follows the provisions of 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 employer 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 termination method. The liability includes the employees who are currently eligible to receive termination benefits and by those employees for whom it is probable will become eligible to receive payment in the future. The amount is based on accumulated sick leave and employee's wage rates at year end. This item is discussed in Note 12 to the General Purpose Financial Statements.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, compensated absences are expended when earned. The entire amount of compensated absences is reported as a fund liability.

**K. INTERGOVERNMENTAL REVENUES**

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

**L. CONTRIBUTED CAPITAL**

Contributed capital represents resources from other funds, other governments, private sources, and tap-in fees, to the extent they exceed the cost of physical connection to the system, which have been provided to the enterprise funds and are not subject to repayment. Because the City, prior to 1992 had not prepared financial statements in accordance with generally accepted accounting principles, the exact amount of contributed capital pertaining to years prior to 1992 cannot be determined. Consequently, only those amounts that have been able to be identified specifically have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to the enterprise funds have been classified as retained earnings. As of December 31, 1999 the City's contributed capital consisted of tap-in fees and capital grants.

**CITY OF WELLSTON, OHIO**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1999

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**M. RESERVES OF FUND EQUITY**

The City records reservations for those portions of fund balance which are legally segregated for specific future use or which do not represent available, spendable resources and, therefore, are not available for expenditure. Undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for principal endowment, inventory of supplies, prepaid items, and for loans, which represent community development monies loaned to local businesses and homeowners.

**N. SHORT-TERM OBLIGATIONS**

Under Ohio Law, a debt retirement fund must be created and used for the payment of all debt principal and interest. Generally accepted accounting principals require bond anticipation notes to be reported as a liability in the fund which received the proceeds.

**O. LONG-TERM DEBT**

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term obligations account group.

**P. INTERFUND TRANSACTIONS**

During the course of normal operations, the City has numerous transactions between funds, most of which are in the form of transfers of resources to provide services, construct assets and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Operating subsidies are also recorded as operating transfers.

Nonrecurring and non-routine transfers of equity between funds and the transfer of residual balances of discontinued funds or projects to the general fund or capital projects funds are classified as residual equity transfers.

Transactions that constitute reimbursements for expenditures or expenses initially made from a fund that are properly allocable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditures and expenses in the fund that is reimbursed.

**Q. ESTIMATES**

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

**CITY OF WELLSTON, OHIO**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1999

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**R. TOTAL COLUMNS ON FINANCIAL STATEMENTS**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

**2. CASH 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 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 Board has identified as not required for use within the two year period of designation of depositories. Inactive deposits must be either 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 moneys. Interim moneys are those moneys which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

State statute permits interim monies to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or other obligations of or security issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**CITY OF WELLSTON, OHIO**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1999

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**2. CASH DEPOSITS AND INVESTMENTS (Continued)**

3. Written repurchase agreements in the securities listed above, provided that the fair 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 fair value daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

**Deposits:** At year end, the carrying amount of the City's deposits was \$528,815 and the bank balance was \$627,102. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$527,102 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City held to a successful claim by the FDIC.

**CITY OF WELLSTON, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 1999

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**2. CASH DEPOSITS AND INVESTMENTS (Continued)**

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

	Category			Carrying Value	Fair Value
	1	2	3		
<b><u>Investments:</u></b>					
U.S. Treasury Notes	\$ 0	\$2,368,078	\$ 0	\$2,368,078	\$2,368,078
State Treasury Pool	<u>0</u>	<u>0</u>	<u>0</u>	<u>987,320</u>	<u>987,320</u>
<b>Total</b>					
Investments	<u>\$ 0</u>	<u>\$2,368,078</u>	<u>\$ 0</u>	<u>\$3,355,398</u>	<u>\$3,355,398</u>

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting."

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

**GASB 3 to GASB 9 Reconciliation**

	Cash & Cash Equivalents	Investments
GASB 3 Balances	\$ 1,516,135	\$ 2,368,078
Star Ohio	<u>(987,320)</u>	<u>987,320</u>
GASB 9	<u>\$ 528,815</u>	<u>\$ 3,355,398</u>

**CITY OF WELLSTON, OHIO**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1999

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**3. 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 and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis), All Governmental Fund Types are 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 that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
Governmental Fund Types

	General	Special Revenue
GAAP Basis	\$ (75,328)	\$(317,723)
Adjustments:		
Revenue Accrual	25,736	247,417
Expenditure Accrual	(25,567)	9,606
Encumbrances	(10,666)	(129,237)
Budget Basis	<u><u>\$(85,825)</u></u>	<u><u>\$(209,149)</u></u>

There were no differences between the budget basis and the GAAP basis in the Capital Project Fund.

**CITY OF WELLSTON, OHIO**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1999

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**4. ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

The following funds have a fund balance deficit as of December 31, 1999:

<i>General Fund</i>	\$30,482
<i>Special Revenue Funds</i>	
Fire	2,387
Cemetery	32,815
CHIS Program	5,800
Sales Tax	16,940

The deficits in the General Fund, Fire Fund, and CHIS Program Fund do not exist on the cash basis and are the result of applying generally accepted accounting principles. The deficits in the General and Sales Tax Fund do not exist on the cash basis and are the result of applying generally accepted accounting principles and the requirement to accrue liabilities when incurred. The General Fund is liable for any deficits in these funds and provides operating transfers when cash is required, not when accruals occur. The Fire Fund, Community Housing Improvement Strategy (CHIS) Program Fund and the Cemetery Fund had a deficit on both the cash and the GAAP basis and are the results of overspending available resources. The Cemetery Non-Expendable Trust Fund is liable for any deficit in the Cemetery Fund and provides operating transfers when cash is needed, not when accruals occur.

**B. Compliance**

The following funds had expenditures plus encumbrances in excess of appropriations, at the legal level of appropriation, at December 31, 1999:

<i>General Fund</i>	
Security of Persons & Property	\$16,651
Operating Transfers - Out	9,213
<i>Special Revenue Funds</i>	
Fire Fund	
Security of Persons & Property	1,559
Street Fund	
Transportation	22,174
Cemetery Fund	
Health	36,388
Operating Transfers - Out	700
Recreation Fund	
Leisure Time Activity	8,317
State Highway Fund	
Transportation	4,560
U.D.A.G. Revolving Loan Fund	
Other Expenditures	18,267

**CITY OF WELLSTON, OHIO**  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1999

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**4. ACCOUNTABILITY AND COMPLIANCE(Continued)**

B. Compliance (continued)

<i>Special Revenue Funds</i>	
Sales Tax Fund	
Transportation	8,679
Street Capital Improvement Fund	
Transportation	3,930
C.D.B.G. Revolving Loan Fund	
Other Expenditures	29,900
D.A.R.E. Fund	
Security of Persons & Property	1,684
C.H.I.S. Program Fund	
Legislative & Executive	5,800
Housing Preservation Fund	
Community Environment	255,736

**5. DEBT OBLIGATIONS**

The City's long-term obligation at year end consisted of the following:

<u>Types / Issues</u>	<u>Outstanding at 12/31/98</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding at 12/31/99</u>
<i><u>General Long-Term Debt</u></i>				
Compensated Absences	\$ 53,163	\$ 0	\$ 2,964	\$ 50,199
Capital Lease Payable	<u>38,628</u>	<u>0</u>	<u>12,102</u>	<u>26,526</u>
Total Long-Term Debt	<u>\$ 91,791</u>	<u>\$ 0</u>	<u>\$ 15,066</u>	<u>\$ 76,725</u>
<i><u>Enterprise Fund Obligations</u></i>				
<i><u>Water Fund</u></i>				
OPWC Loan	\$ 622,633	\$ 0	\$ 54,737	\$ 567,896
OWDA Loan	1,113,654	0	0	1,113,654
<i><u>Sewer Fund</u></i>				
OPWC Loan	549,547	0	67,794	481,753
FmHA Loan	2,663,000	0	31,000	2,632,000
OWDA Loan	<u>2,187,071</u>	<u>0</u>	<u>124,196</u>	<u>2,062,875</u>
Total Enterprise Fund Obligation	<u>\$7,135,905</u>	<u>\$ 0</u>	<u>\$277,727</u>	<u>\$6,858,178</u>

The Ohio Water Development Authority (O.W.D.A.) loans are for utility construction projects. Property and revenue of the utility facilities have been pledged to repay these debts.

**CITY OF WELLSTON, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 1999

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**5. DEBT OBLIGATIONS (Continued)**

The Ohio Public Works Commission (O.P.W.C.) loans are for utility construction projects. Property and revenue of the utility facilities have been pledged to repay these debts.

The Farmer's Home Association (FmHA) loans are for sewer construction. Revenues from sewer usage fees finance this loan.

Compensated Absences (sick leave and vacation benefits) will be paid from the fund from which the person is paid. Additions and deletions of accrued vacation and sick leave are shown net since it is impractical for the City to determine these amounts separately.

The annual requirement to amortize all bonded debt outstanding as of December 31, 1999, including interest payments of \$3,378,599 are as follows:

	Farmers Home Loans Supported by Enterprise Revenues	OPWC Loan Supported by Enterprise Revenues	OWDA Loans Supported by Enterprise Revenues	Totals
2000	\$163,650	\$40,844	\$120,826	\$325,320
2001	165,050	81,687	241,652	488,389
2002	164,300	81,687	241,652	487,639
2003	164,500	81,687	241,652	487,839
2004	164,600	81,687	241,652	487,939
2005-2009	822,950	408,435	1,208,255	2,439,640
2010-2014	823,000	224,872	1,208,255	2,256,127
2015-2019	822,250	48,750	252,428	1,123,428
Thereafter	<u>2,140,456</u>	0	0	<u>2,140,456</u>
<b>Totals</b>	<b><u>\$5,430,756</u></b>	<b><u>\$ 1,049,649</u></b>	<b><u>\$3,756,372</u></b>	<b><u>\$10,236,777</u></b>
Less: Amount Representing Interest	<u>(2,798,756)</u>	0	<u>(579,843)</u>	<u>(3,378,599)</u>
<b>Total Principal Requirements To Maturity</b>	<b><u>\$ 2,632,000</u></b>	<b><u>\$ 1,049,649</u></b>	<b><u>\$ 3,176,529</u></b>	<b><u>\$ 6,858,178</u></b>

**CITY OF WELLSTON, OHIO**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1999

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**5. DEBT OBLIGATIONS (Continued)**

The City had the following note debt outstanding at December 31, 1999:

<u>Description</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate %</u>	<u>Principal Amount</u>
<i><u>Special Revenue Fund:</u></i>				
Police Cruiser Bond Anticipation Note	07-07-99	09-06-00	5.50%	<u>\$21,000</u>
Total Special Revenue				<u>\$21,000</u>
<i><u>Enterprise Fund:</u></i>				
<i><u>Garbage Fund</u></i>				
Garbage Truck Note Payable	08-05-99	08-04-04	5.25%	<u>\$70,000</u>
Total Enterprise				<u>\$70,000</u>

The note in the amount of \$70,000 was issued for the purchase of a Garbage Truck. The note is a direct obligation of the Garbage Fund for which its full faith, credit and resources are pledged. Property and revenue of the garbage facility have been pledged to repay this debt.

The General Obligation Bond Anticipation Note in the amount of \$21,000 was issued for the purchase of two Police Cruisers. The General obligation bond anticipation note is a direct obligation of the City for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the City. Tax monies will be received in and the debt will be repaid from a Special Revenue Fund - Sales Tax Fund.

**6. PROPERTY TAX**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values 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. The last revaluation was completed in 1993. Real property taxes are payable annually or semiannually. The first payment is due March 14, with the remainder payable by August 13.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due October 31. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due June 15; if paid semiannually, the first payment is due April 30, with the remainder payable by October 31.

**CITY OF WELLSTON, OHIO**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1999

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**6. PROPERTY TAX (Continued)**

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. Certain public utility tangible personal property currently is assessed at 35 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to itself its share of the taxes collected. The City records receipt of these taxes in various funds.

Accrued property taxes receivable represent delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable and unpaid as of December 31, 1999. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 1999 operations. The receivable and the portion of the tax levies prepaid by year end are therefore offset by a credit to deferred revenue.

The full tax rate for all City operations for the year ended December 31, 1999, was \$9.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 1999 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate	\$41,648,700
Public Utility Personal Property	4,085,370
Tangible Personal Property	9,373,878
Total Property Taxes	<u>\$55,107,948</u>

**7. RECEIVABLES**

Receivables at December 31, 1999 consisted of taxes, interest, accounts (billings for user charged services including unbilled utility services), and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered fully collectible except accounts receivable related to utility services.

Loans receivable represents low interest loans for development projects and home improvements granted to eligible City residents and business under the Community Development Program.

The note receivable in the Enterprise Fund is the result of an agreement made in 1995 between the City and the Pillsbury Company, whereby the Pillsbury Company has agreed to make payments to the City for the retirement of a portion of the original \$1,525,191 OWDA loan. The agreement requires the note be repaid over 15 years at 10% interest.

A summary of the principal items of intergovernmental receivables (due from other governments) follows:

<u>General Fund</u>
Municipal Court
Total General Fund

\$ 4,475  
\$ 4,475

**CITY OF WELLSTON, OHIO**  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1999

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**8. FIXED ASSETS**

General Fixed Assets: Changes in general fixed assets during 1999 were as follows:

	Balance @ 12/31/98	Additions	Deletions	Balance @ 12/31/99
Land	\$ 104,371	\$ 0	\$ 0	\$ 104,371
Buildings	2,635,589	249,686	0	2,885,275
Machinery & Equipment	255,965	31,499	0	287,464
Equipment Held Under Capital Leases	76,817	0	0	76,817
Vehicles	440,976	21,000	0	461,976
Construction in Progress	<u>178,000</u>	<u>0</u>	<u>178,000</u>	<u>0</u>
<b>Total</b>	<b><u>\$ 3,691,718</u></b>	<b><u>\$302,185</u></b>	<b><u>\$178,000</u></b>	<b><u>\$ 3,815,903</u></b>

Proprietary Fund Fixed Assets: A summary of the Proprietary Fund Types fixed assets as of December 31, 1999, follows:

	Balance @ 12/31/99
Land	\$ 62,706
Buildings	7,900,173
Plant Improvement	2,971,783
Machinery & Equipment	335,127
Vehicles	356,678
Construction in Progress	70,881
Water/Sewer Lines	<u>2,411,548</u>
<b>Total Assets</b>	<b><u>14,108,896</u></b>
Accumulated Depreciation	<u>(2,677,807)</u>
<b>Net Value of Assets</b>	<b><u>\$ 11,431,089</u></b>

**9. DEFINED BENEFIT RETIREMENT PLANS**

**Public Employees Retirement System:** All employees of the City, except full-time uniformed police officers and full-time firefighters, participate in the Public Employees Retirement System of Ohio (the “PERS of Ohio”), a cost-sharing multiple employer defined benefit pension plan. PERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Public Employees Retirement System of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the PERS of Ohio. Interested parties may obtain a copy by making written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS(7377).

**CITY OF WELLSTON, OHIO**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1999

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**9. DEFINED BENEFIT RETIREMENT PLANS (Continued)**

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5% other than law enforcement. Law enforcement employees contribute 9.0% of covered salary. The 1999 employer rate for local government employer units was 13.55%, of covered payroll. The law enforcement employer rate was 16.70% of covered payroll. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to PERS for the years ended December 31, 1997, 1998, and 1999 were \$112,440, \$136,737, and \$152,788 respectively; 100% has been contributed for year 1997 and 1998, and 75% has been contributed for 1999. Of the 1999 amount, \$38,197 was unpaid at December 31, 1999 and is recorded as a liability within the respective funds.

***Police and Firemen's Disability and Pension Fund:*** The City of Wellston contributes to the Police and Firemen's Disability and Pension Fund of Ohio (the "Fund"), a cost-sharing multiple employer defined benefit pension plan administered by the State. The Fund provides retirement and disability benefits, annual cost of living adjustments, 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. The Fund issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Police and Firemen's Disability and Pension Fund of Ohio, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members (both policemen and firemen) are required to contribute 10.0% of their annual covered salary and employers are required to contribute 19.5% of annual covered payroll for policemen and 24.0% of annual covered payroll for firemen. The City's contributions to the Fund for the years ending December 31, 1997, 1998, and 1999 were \$34,269, \$34,375, and \$21,128 for the policeman; \$18,732, \$18,510, and \$9,912 for firemen; 100% has been contributed for years 1997 and 1998 and 0% has been contributed for 1999 for police; and 100% has been contributed for years 1997 and 1998 and 0% has been contributed for 1999 firemen. Of the 1999 amount, for police \$21,128 and, for firemen, \$9,912 was unpaid at December 31, 1999 and are recorded as a liability with the General Fund.

**10. POSTEMPLOYMENT BENEFITS**

***Public Employees Retirement System:*** The PERS of Ohio provides postemployment health care benefits to age service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients and primary survivor recipients of such retirants is available. A portion of each employer's contribution to the PERS of Ohio is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions and requires employers to fund postemployment health care through their contributions to the PERS of Ohio. The portion of the 1999 employer contribution rate (identified above) that was used to fund health care for the year 1999 was \$47,359, 4.2% of covered payroll.

The health inflation and significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the PERS of Ohio's latest actuarial review performed as of December 31, 1998. OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

**CITY OF WELLSTON, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 1999

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**10. POSTEMPLOYMENT BENEFITS (Continued)**

Expenditures for OPEB during 1999 were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. The number of benefit recipients eligible for OPEB at December 31, 1999 was 118,062.

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1999, employer contribution, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

***Police and Firemen's Disability and Pension Fund:*** The Police and Firemen's Disability and Pension Fund provides postretirement health care coverage to any person who receives or is an eligible dependent child of such person. An eligible dependent child is any child under the age of eighteen whether or not the child is attending school or under the age of twenty two if attending school full-time or on a two thirds basis. The Ohio Revised Code Chapter 742 provides the authority allowing the Police and Firemen's Disability and Pension Fund's board of trustees to provide health care coverage and states that health care cost are included in the contribution rate. The contribution rate for Police is 19.5% and Firefighters is 24.0% of covered payroll of which 7.00% was applied to postemployment health care program. Health care funding and accounting is on a pay-as-you-go basis. In addition, most retirees are required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 1998, (the latest information available) was 11,424 for policemen and 9,186 for firefighters. Since the City made no contributions in 1999 there was nothing to fund postemployment benefits for police and firefighters. The Fund's total health care expenses for the year ending December 31, 1998 were \$78,596,790, which was net of member contributions of \$5,331,515.

**11. RISK MANAGEMENT**

The City participates in various types of insurance plans in an effort to minimize risk exposure and to control claims and premium costs.

- A. Medical/surgical benefits, and prescription drugs are offered to employees through Community Health Plan.
- B. Worker's Compensation

The City is a participant in the Comp Management Worker's Compensation Rating Plan. Claims services are administered by Gates, McDonald and Company. In turn for substantial involvement by the City in accident prevention, the City receives lower worker's compensation rates through participation in the group plan.

**CITY OF WELLSTON, OHIO**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1999

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**11. RISK MANAGEMENT (Continued)**

C. The City is exposed to various risks of loss related to torts, theft, or damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During 1999, the City contracted with several insurance agencies for liability, auto, and crime insurance. Insurance has a \$0 to \$2,500 deductible per occurrence.

Coverages provided by the insurance agencies are as follows:

General Liability	\$ 500,000
Public Officials Liability	1,000,000
Law Enforcement Liability	1,000,000
Inland Marine	Listed Covered Property @ \$193,880
Automobile	500,000
Faithful Performance and Employee Bond	100,000

In addition, the City maintains separate replacement cost insurance on buildings and contents in the amount of \$17,212,180 with 90% coinsurance.

The City has not incurred significant reductions in insurance coverage from coverage in the prior year by major category of risk. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

**12. OTHER EMPLOYEE BENEFITS**

**Compensated Absences:** Vacation leave is earned at rates which vary depending upon length of service and standard work week. Current policy credits vacation on the employee's anniversary date and is to be taken by the next anniversary date. Vacation time is not cumulative and must be taken during the year unless otherwise specified. City employees (or their estate) are paid for earned, unused vacation leave at the time of retirement or termination of employment if the employee has at least one year of service.

All full time City employees earn sick leave at the rate of 4.6 hours for every 80 hours of active service. Upon separation from the City, employees with credited service are paid 50%, up to a maximum of thirty (30) days, or 240 hours, of their accrued sick leave, or the full balance may be transferred to another governmental agency. Such payment shall be based on the employee's rate of pay at the time of separation. At December 31, 1999 the current amount of unpaid compensated absences in the governmental funds and the balance of the liability in the general long-term obligations account group were \$6,443 and \$50,199 respectively. The liability for compensated absences in the enterprise funds was \$55,055.

**CITY OF WELLSTON, OHIO**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1999

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**13. CONTINGENCIES**

Grants

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

Legal

The City is a defendant in a number of claims and lawsuits which may be classified as routine litigation in which minimal non-material damages are being sought. In the opinion of the City Solicitor, no material liability is anticipated.

**14. SEGMENT INFORMATION - ENTERPRISE FUNDS**

Financial segment information as of and for the year ended December 31, 1999 for the Enterprise Funds presented as follows:

	<u>Swimming Pool</u>	<u>Sewer</u>	<u>Sanitation System</u>	<u>Water</u>	<u>Industrial Site</u>	<u>Total</u>
Operating Revenues	\$23,494	\$ 898,164	\$ 250,629	\$801,639	\$35,194	\$2,009,120
Operating Expenses Before Depreciation	22,793	620,173	247,667	854,308	44,952	1,789,893
Depreciation Expense	71	247,587	9,417	68,931	16,558	342,564
Operating Income/(Loss)	630	30,404	(6,455)	(121,600)	(26,316)	(123,337)
Net Income/(Loss)	630	(162,472)	(7,945)	(106,778)	(26,316)	(302,881)
Fixed Assets: Additions	0	64,900	93,655	168,163	0	326,718
Net Working Capital	(730)	1,350,200	(21,560)	214,752	1,251	1,543,913
Total Assets	966	9,670,792	159,043	2,771,030	584,467	13,186,298
OWDA Loans Payable	0	2,062,875	0	1,113,654	0	3,176,529
OPWC Loans Payable	0	481,753	0	567,896	0	1,049,649
FmHA Loans Payable	0	2,632,000	0	0	0	2,632,000
Total Equity	154	4,406,002	72,240	1,007,641	584,467	6,070,504

**CITY OF WELLSTON, OHIO**  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1999

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**15. RESTATED FUND BALANCE/RETAINED EARNINGS**

Due to the reclassification and combining of funds on a GAAP basis, and accrual restatements, the net change of beginning fund balances is as follows:

	<u>Beginning Fund Balance/ Retained Earnings</u>	<u>Adjustments</u>	<u>Restated Fund Balance/ Retained Earnings</u>
Special Revenue Funds	\$3,436,359	\$ 1,441	\$3,437,800
Enterprise Funds	2,381,373	(55,322)	2,326,051
Internal Service Fund	26,660	(26,660)	0

**16. CAPITALIZED LEASE - LESSEE DISCLOSURE**

The City has entered into a capital lease for the acquisition of a backhoe. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reclassified and reflected as debt service in the General Purpose Financial Statements in the Sales Tax Fund. These expenditures are reflected as program/object expenditures on a budgetary basis.

The Governmental fund capital lease was recorded as an asset in the GFAAG and liability in the GLTDAG. The Governmental fund capital lease required the City to record the corresponding revenue and expenditure for the fair market value of minimum lease payment at lease exceptions in the Sales Tax Fund.

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

<u>Year Ending December 31,</u>	<u>Capital Lease Payments</u>
2000	\$14,424
2001	<u>14,424</u>
Total Minimum Lease Payments	28,848
Less: Amount Representing Interest	<u>(2,322)</u>
Present Value of Minimum Lease Payments	<u><u>\$26,526</u></u>

**CITY OF WELLSTON, OHIO**  
 Schedule of Federal Awards Expenditures  
 For the Year Ended December 31, 1999

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Federal Grantor / Pass through Grantor / Program Title	Pass through Entity Number	Federal CFDA Number	Expenditures
<b><u>U.S. Department of Housing and Urban Development</u></b>			
<i>Passed through Ohio Department of Development:</i>			
Small Cities Community Development Block Grant - Community Housing Improvement Program	A-C-97-199-1	14.228	\$38,300
HOME Investment Partnership Grant - Community Housing Improvement Program	A-C-97-199-2	14.239	267,286
<b>Total U.S. Department of Housing and Urban Development</b>			<u>305,586</u>
<b>Total Federal Awards Expenditures</b>			<u>\$305,586</u>

**Note 1 - Significant Accounting Policies**

The City prepares its Schedule of Federal Awards Expenditures on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.

**Note 2 - CDBG Rehabilitation Revolving Loans**

The City administers a CDBG rehabilitation revolving loan program which is not reflected in the schedule above. During the year ended December 31, 1999, the City received loan principal payments of \$93,767 under this program. At December 31, 1999, the City reflects \$513,809 as loans receivable under this program which is included in the balance sheet.

# **J. L. UHRIG & ASSOCIATES**

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Certified Public Accountant

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(740) 775-8448  
Fax: (740) 775-8442

## **Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

Members of Council  
City of Wellston  
203 East Broadway Street  
Wellston, Ohio 45692

We have audited the financial statements of the City of Wellston, Ohio (the City), as of and for the year ended December 31, 1999, and have issued our report thereon dated October 13, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed certain instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 1999-001, 1999-002 and 1999-003. We also noted other instances of noncompliance that we have reported to the management of the City in a separate letter dated October 13, 2000.

### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting that we have reported to the management of the City in a separate letter dated October 13, 2000.

Members of Council

City of Wellston

Report on Compliance and on Internal Control over Financial Reporting

Based on an Audit of Financial Statements Performed in Accordance with

Government Auditing Standards

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

## **J. L. Uhrig & Associates**

J. L. UHRIG & ASSOCIATES

Certified Public Accountant

October 13, 2000

# **J. L. UHRIG & ASSOCIATES**

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Certified Public Accountant

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## **Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133**

Members of Council  
City of Wellston  
203 East Broadway Street  
Wellston, Ohio 45692

### **Compliance**

We have audited the compliance of City of Wellston, 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 are applicable to each of its major federal programs for the year ended December 31, 1999. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. 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 generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that 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 complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 1999.

### **Internal Control over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with 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 have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Members of Council

City of Wellston

Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

## J. L. Uhrig & Associates

J. L. UHRIG & ASSOCIATES

Certified Public Accountant

October 13, 2000

**CITY OF WELLSTON, OHIO**  
***Schedule of Findings and Questioned Costs***  
***For the Year Ended December 31, 1999***

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**A. SUMMARY OF AUDITOR'S RESULTS**

<b>1. Type of Financial Statement Opinion</b>	Unqualified
<b>2. Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>3. Were there any other reportable internal control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>4. Was there any material noncompliance reported at the financial statement level (GAGAS)?</b>	Yes
<b>5. Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>6. Were there any other reportable internal control weaknesses reported for major federal programs?</b>	No
<b>7. Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>8. Are there any reportable findings under § .510?</b>	No
<b>9. Major Programs (list):</b>	HOME Investment Partnership Grant - CHIP CFDA #14.239
<b>10. Dollar Threshold: Type A/B Programs</b>	Type A: >\$300,000 Type B: All Other Programs
<b>11. Low Risk Auditee?</b>	No

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

***Finding Number 1999-001***

Section 5705.09 of the Ohio Revised Code, in summary, states that each subdivision shall establish a general fund and other specific funds which are designed for specific purposes. Section 5705.10 of the Ohio Revised Code, in summary, further states that the money paid into any fund shall be used only for the purposes for which such fund is established.

The City had several funds that carried a negative fund balance either throughout the year or at year end. These negative fund balances indicate that the City overspent the available cash balance in these funds, and therefore, used money from other funds which were established for a different purpose. The City had three different Auditors during the year which caused some weaknesses in the monitoring of the activity of each fund.

We recommend that the City closely monitor the activity of each fund and not allow any fund to be overspent.

**CITY OF WELLSTON, OHIO**  
*Schedule of Findings and Questioned Costs*  
*For the Year Ended December 31, 1999*

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***Finding Number 1999-002***

Section 5705.39 of the Ohio Revised Code, in summary, states that the total appropriation from each fund shall not exceed the total estimated revenue. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The City's adopted appropriations exceeded the estimated resources in several funds. The City had three different Auditors during the year which caused some weaknesses in the monitoring of the activity of each fund.

We recommend that the City closely monitor the appropriations to be sure that they do not exceed the estimated resources of each fund.

***Finding Number 1999-003***

Section 5705.41(B) of the Ohio Revised Code, in summary, states that the City shall not make any expenditure of money unless it has been appropriated. An appropriation is a budgetary control account that represents the total authorized expenditures for a current fiscal period.

The City had actual expenditures and encumbrances that exceeded the appropriations in several funds. The City had three different Auditors during the year which caused some weaknesses in the monitoring of the activity of each fund.

We recommend that the City closely monitor each fund to determine whether sufficient appropriations exist before any expenditures or encumbrances are made.

**C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

There were no findings and questioned costs for federal awards.



**STATE OF OHIO  
OFFICE OF THE AUDITOR**  
\_\_\_\_\_  
JIM PETRO, AUDITOR OF STATE

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800-282-0370  
Facsimile 614-466-4490

**CITY OF WELLSTON  
JACKSON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 12, 2000**