



# **Balestra, Harr & Scherer, CPAs, Inc.**

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

[www.bhscpas.com](http://www.bhscpas.com)

CITY OF WELLSTON  
JACKSON COUNTY, OHIO

REGULAR AUDIT

For the Year Ended December 31, 2014  
Fiscal Year Audited Under GAGAS: 2014





# Dave Yost • Auditor of State

City Council  
City of Wellston  
203 East Broadway Street

We have reviewed the *Independent Auditor's Report* of the City of Wellston, Jackson County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2014 through December 31, 2014. 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.

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

Dave Yost  
Auditor of State

November 4, 2015

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**City of Wellston, Ohio**

**TABLE OF CONTENTS**

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor’s Report .....	1
Management’s Discussion and Analysis .....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position .....	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	14
Reconciliation of Total Governmental Fund Balances To Net Position of Governmental Activities.....	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) – General Fund.....	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) – Fire Levy Fund.....	19
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) – Street Fund.....	20
Statement of Fund Net Position– Enterprise Funds .....	21
Statement of Revenues, Expenses and Changes in Fund Net Position– Enterprise Funds.....	22
Statement of Cash Flows– Enterprise Funds.....	23
Statement of Assets and Liabilities– Agency Funds .....	24
Notes to the Basic Financial Statements .....	25
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	52

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## **Balestra, Harr & Scherer, CPAs, Inc.**

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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### **Independent Auditor's Report**

City of Wellston  
Jackson County, Ohio  
203 East Broadway Street  
Wellston, Ohio 45692

To the City Council:

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wellston, Jackson County, Ohio, (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Wellston, Jackson County, Ohio as of December 31, 2014, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General, Fire Levy and Street Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

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

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2015, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Piketon, Ohio  
August 14, 2015



**City of Wellston, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
*Unaudited*

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The discussion and analysis of the City of Wellston's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2014. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

**Financial Highlights**

Key financial highlights for 2014 are as follows:

- The City's total net position increased by 9.0 percent, or \$1,330,555, from the total net position at the beginning of the year.
- At the end of the current year, the City's governmental activities reported total net position of \$7,309,132, an increase of \$784,018 from the prior year. Unrestricted net position was \$649,190.
- At the end of the current year, unassigned fund balance for the General Fund was \$645,164, which represents an 8.6 percent increase from the prior year.

**Using this Annual Financial Report**

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

The Statement of Net Position and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

***Reporting the City of Wellston as a Whole***

**Statement of Net Position and Statement of Activities**

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2014?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**City of Wellston, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
*Unaudited*

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These two statements report the City's net position and changes in net positions. This change in net position is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, nonfinancial information such as the condition of City capital assets will also need to be evaluated.

In the Statement of Net Position and the Statement of Activities, the City is divided into two kinds of activities:

Governmental Activities – Most of the City's services are reported here including police, administration, and all departments with the exception of our Water, Sewer, and Garbage Funds.

Business-Type Activities – Water and sewer services have charges based upon the amount of usage. The City historically has not charged fees to recoup the cost of the entire operations of our Water and Sewer Treatment Plants as well as all capital expenses associated with the facilities. Garbage collection services have charges based upon set rates. The City attempts to set fees that cover the costs of providing the service.

***Reporting the City of Wellston's Most Significant Funds***

*Fund Financial Statements*

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Fund financial reports provide detailed information about the City's major funds. Based on the restriction on the use of monies, the City has established many funds that account for the multitude of services provided to its residents. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the General Fund, as well as the Fire Levy and Street Special Revenue Funds, and the Permanent Investment Capital Projects Fund.

***Governmental Funds*** Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as balances of spendable resources available at the end of the year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the City's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**City of Wellston, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
*Unaudited*

The City maintains a number of individual governmental funds. Information for the major funds, identified earlier, is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single aggregated presentation.

**Enterprise Funds** The City uses enterprise funds to account for its water, sewer, and garbage operations. For water and sewer operations, the City charges a fee to customers, based upon the amount of usage, in an attempt to recover the costs of the services provided. For garbage operations, the City charges a flat monthly fee.

**Fiduciary Fund** The City accounts for resources held for the benefit of parties outside the government as a fiduciary fund. This fund is not reflected in the government-wide financial statements because the resources of this fund are not available to support the City's own programs. The City uses accrual accounting for fiduciary funds, the same as that of the proprietary funds.

**The City of Wellston as a Whole**

Recall that the Statement of Net Position looks at the City as a whole. Table 1 provides a summary of the City's net position for 2014 compared to 2013.

**Table 1**  
**Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Assets</b>						
Current and Other Assets	\$5,958,185	\$5,682,227	\$2,357,635	\$2,182,093	\$8,315,820	\$7,864,320
Capital Assets, Net	2,416,265	1,641,889	10,328,226	10,273,379	12,744,491	\$11,915,268
Total Assets	8,374,450	7,324,116	12,685,861	12,455,472	21,060,311	19,779,588
<b>Liabilities</b>						
Current and Other Liabilities	160,996	140,390	447,085	374,439	608,081	514,829
Noncurrent Liabilities	391,273	251,726	3,425,564	3,814,358	3,816,837	4,066,084
Total Liabilities	552,269	392,116	3,872,649	4,188,797	4,424,918	4,580,913
<b>Deferred Inflows of Resources</b>						
Property Taxes	513,049	406,886	0	0	513,049	406,886
<b>Net Position</b>						
Net Investment in Capital Asset	2,123,567	1,482,271	7,008,639	6,564,594	9,132,206	8,046,865
Restricted	4,536,375	4,659,518	0	0	4,536,375	4,659,518
Unrestricted	649,190	383,325	1,804,573	1,702,081	2,453,763	2,085,406
Total Net Position	\$7,309,132	\$6,525,114	\$8,813,212	\$8,266,675	\$16,122,344	\$14,791,789

Total governmental activities assets increased \$1,050,334. Governmental activities' capital assets increased \$774,376 primarily due to a street paving project. There was an increase in total liabilities for governmental activities of \$160,153. This was due to a new loan for a Fire Truck and an increase in intergovernmental payables. The \$54,847 increase in capital assets for business-type activities is due to depreciation, offset by additions in the Water and Sewer Funds. Business-Type activities' current assets increased \$175,542, primarily due to an increase in cash.

**City of Wellston, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
*Unaudited*

Table 2 shows the changes in net position for the year ended December 31, 2014, and comparisons to 2013.

**Table 2**  
**Changes in Net Position**

	Governmental	Business-	Total	Governmental	Business-	Total
	Activities	Type		Activities	Type	
	2014	2014	2014	2013	2013	2013
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$150,194	\$3,004,516	\$3,154,710	\$123,061	\$3,081,402	\$3,204,463
Operating Grants and Contributions	711,030	0	711,030	913,562	0	913,562
Capital Grants and Contributions	903,635	0	903,635	0	250,000	250,000
<i>Total Program Revenues</i>	<i>1,764,859</i>	<i>3,004,516</i>	<i>4,769,375</i>	<i>1,036,623</i>	<i>3,331,402</i>	<i>4,368,025</i>
General Revenues:						
Property Taxes	489,475	0	489,475	450,437	0	450,437
Income Taxes	1,137,147	0	1,137,147	1,137,156	0	1,137,156
Grants and Entitlements	209,938	0	209,938	132,550	0	132,550
Investment Earnings	67,593	0	67,593	65,527	0	65,527
Miscellaneous	49,777	105,203	154,980	92,060	66,129	158,189
Total General Revenues and Extraordinary Item	1,953,930	105,203	2,059,133	1,877,730	66,129	1,943,859
Total Revenues	3,718,789	3,109,719	6,828,508	2,914,353	3,397,531	6,311,884
Transfers	(5,000)	5,000	0	0	0	0
<i>Total Revenues and Transfers</i>	<i>3,713,789</i>	<i>3,114,719</i>	<i>6,828,508</i>	<i>2,914,353</i>	<i>3,397,531</i>	<i>6,311,884</i>
<b>Program Expenses</b>						
General Government	675,539	0	675,539	679,403	0	679,403
Security of Persons and Property:						
Police	899,465	0	899,465	906,539	0	906,539
Fire	454,599	0	454,599	293,823	0	293,823
Transportation	328,581	0	328,581	217,274	0	217,274
Leisure Time Activities	5,290	0	5,290	5,290	0	5,290
Public Health Services	40,607	0	40,607	12,964	0	12,964
Community Environment	514,975	0	514,975	674,304	0	674,304
Interest and Fiscal Charges	10,715	0	10,715	6,548	0	6,548
Water	0	1,307,385	1,307,385	0	1,304,060	1,304,060
Sewer	0	958,346	958,346	0	1,050,278	1,050,278
Garbage	0	302,451	302,451	0	272,492	272,492
<i>Total Program Expenses</i>	<i>2,929,771</i>	<i>2,568,182</i>	<i>5,497,953</i>	<i>2,796,145</i>	<i>2,626,830</i>	<i>5,422,975</i>
Increase in Net Position	784,018	546,537	1,330,555	118,208	770,701	888,909
Net Position Beginning of Year	6,525,114	8,266,675	14,791,789	6,406,906	7,495,974	13,902,880
Net Position End of Year	\$7,309,132	\$8,813,212	\$16,122,344	\$6,525,114	\$8,266,675	\$14,791,789

**Governmental Activities**

Operating grants and contributions accounted for 19.1 percent of total governmental revenues. Property Tax revenue provided 13.2 percent of total governmental revenues, and 30.6 percent was generated from income taxes. Capital grants were the largest component of City program revenues. Income taxes,

**City of Wellston, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
*Unaudited*

property taxes, and unrestricted grants and entitlements combined together, provided 49.4 percent of the City's total governmental revenues.

The City received \$150,194, or 4.0 percent of total governmental revenues, in charges for services. These direct charges to citizens include recreation fees, court fines and forfeitures, police security services, and licenses and permits.

The City's security of persons and property activities accounted for \$1,354,064, or 46.2 percent, of total expenses. General government activities accounted for \$675,539, or 23 percent, of total expenses. Community Environment activity accounted for \$514,975, or 17.6 percent, of total expenses.

The following table presents the total expenses and net cost of each of the City's governmental program activities. The net cost (total program activity expenses less revenues generated by the program) represents the financial burden that was placed on the City's taxpayers by each of these program activities. Costs not covered by program revenues are essentially funded with the City's general revenues, which are primarily composed of income taxes, property taxes, intergovernmental revenues, and unrestricted investment interest earnings.

**Table 3**  
**Program Expenses and Net Costs of Governmental Activities, by Program**  
**For the Year Ended December 31, 2014**

	Program Activity Expenses	Net Cost (Gain) of Program Activity	Program Activity Expenses	Net Cost (Gain) of Program Activity
	2014	2014	2013	2013
General Government	\$675,539	\$527,759	\$679,403	\$583,242
Security of Persons and Property:				
Police	899,465	792,341	906,539	992,391
Fire	454,599	368,908	293,823	22,064
Transportation	328,581	(692,775)	217,274	(43,042)
Leisure Time Activities	5,290	5,290	5,290	(11,970)
Public Health Services	40,607	9,496	12,964	9,583
Community Environment	514,975	143,178	674,304	200,706
Interest and Fiscal Charges	10,715	10,715	6,548	6,548
<b>Totals</b>	<b>\$2,929,771</b>	<b>\$1,164,912</b>	<b>\$2,796,145</b>	<b>\$1,759,522</b>

***Business-Type Activities***

The City's business-type activities are for water, sewer, and garbage services. During 2014, program revenues exceeded expenses by \$436,334.

The minimum water rate is \$9.46 per thousand for the first three thousand gallons of water. Sewer fees are calculated on the amount of water used. The minimum sewer rate is \$11.51 per month. Garbage fees are assessed at a flat rate of a \$14.33 per month.

**City of Wellston, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
*Unaudited*

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**The City's Funds**

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

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

***General Fund***

The General Fund is the primary operating fund of the City. At the end of 2014, fund balance was \$785,318.

The fund balance of the City's General Fund increased by \$177,190. During 2014, the General Fund used excess cash to reduce deficits in the Cemetery Fund. At the end of the year, the General Fund advanced \$157,126 to the Cemetery Fund to temporarily eliminate the Cemetery Fund's remaining negative cash balance.

***Other Major Governmental Funds***

The fund balance of the Fire Levy Special Revenue Fund at December 31, 2014, was \$63,112, an increase of \$30,932.

The fund balance of the Street Fund at December 31, 2014, was \$393,832, an increase of \$113,559.

The fund balance of the Permanent Investment Capital Projects Fund at December 31, 2014, is \$2,433,835, the same as the prior year. The balance represents the proceeds from the 1967 sale of the City's electric utility.

***Enterprise Funds***

The City's enterprise funds provide the same type of information found in the government-wide financial statements, but in more detail.

The City's enterprise funds are the Water, Sewer, and Garbage Funds. The Water Fund's net position increased \$329,164, the Sewer Fund's net position increased \$139,495, and the Garbage Fund's net position increased \$77,878.

**General Fund Budgetary Highlights**

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. From time to time during the year, the fund's budget may be amended as needs or conditions change.

The City did not make significant revisions to the original appropriations approved by City Council. The General Fund budgeted revenue and appropriations did not change during the year.

**City of Wellston, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
*Unaudited*

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of 2014, the City had \$12,744,491 invested in capital assets, net of accumulated depreciation. Table 4 shows fiscal year 2014 balances compared to 2013.

**Table 4**  
**Capital Assets**  
**(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land	\$117,635	\$103,550	\$0	\$0	\$117,635	\$103,550
Land Improvements Not Depreciated	81,141	81,141	0	0	81,141	81,141
Construction in Progress	0	0	0	87,929	0	87,929
Improvements Other than Buildings	18,616	19,995	0	0	18,616	19,995
Buildings and Improvements	485,626	509,005	5,978,510	5,825,090	6,464,136	6,334,095
Equipment	34,933	37,943	219,859	148,422	254,792	186,365
Infrastructure	1,087,778	293,872	4,001,510	4,074,443	5,089,288	4,368,315
Vehicles	590,536	596,383	128,347	137,495	718,883	733,878
<b>Totals</b>	<b>\$2,416,265</b>	<b>\$1,641,889</b>	<b>\$10,328,226</b>	<b>\$10,273,379</b>	<b>\$12,744,491</b>	<b>\$11,915,268</b>

The total increase in the City's capital assets, net of accumulated depreciation, for the current year was \$829,223 or 7 percent.

For additional information on capital assets, see Note 9 to the basic financial statements.

***Debt***

As of December 31, 2014, and December 31, 2013, the City had total long-term debt of \$3,622,286 and \$3,881,737, respectively, as follows:

**Table 5**  
**Outstanding Debt**

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	\$0	\$0	\$548,000	\$567,000	\$548,000	\$567,000
Revenue Bonds	0	0	1,376,000	1,423,000	1,376,000	1,423,000
OPWC Loans	0	0	127,149	166,444	127,149	166,444
OWDA Loans	0	0	1,183,769	1,439,775	1,183,769	1,439,775
Other Long-Term Loans	302,699	172,952	84,669	112,566	387,368	285,518
<b>Totals</b>	<b>\$302,699</b>	<b>\$172,952</b>	<b>\$3,319,587</b>	<b>\$3,708,785</b>	<b>\$3,622,286</b>	<b>\$3,881,737</b>

The City's overall legal debt margin was \$5,962,074. For additional information on debt, see Note 14 to the basic financial statements.

**City of Wellston, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
*Unaudited*

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**Current Issues**

The City continues to work toward financial solvency, by adjusting and following its financial recovery plan, with the assistance of the fiscal emergency commission.

**Requests for Information**

This financial report is designed to provide the City's citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report, please contact the City of Wellston Auditor's Office by calling (740)-384-2428 or by writing the City Auditor at 203 East Broadway, Wellston, Ohio 45692.



**City of Wellston, Ohio**  
*Statement of Net Position*  
*December 31, 2014*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,854,699	\$2,060,430	\$3,915,129
Investments in Segregated Accounts	2,608,835	0	2,608,835
Accounts Receivable	0	285,705	285,705
Intergovernmental Receivable	349,829	0	349,829
Income Taxes Receivable	303,444	0	303,444
Property Taxes Receivable	695,010	0	695,010
Loans Receivable	139,868	0	139,868
Materials and Supplies Inventory	6,500	11,500	18,000
Non-Depreciable Capital Assets	198,776	0	198,776
Depreciable Capital Assets, Net	2,217,489	10,328,226	12,545,715
<i>Total Assets</i>	<u>8,374,450</u>	<u>12,685,861</u>	<u>21,060,311</u>
<b>Liabilities</b>			
Accounts Payable	36,521	60,548	97,069
Accrued Wages Payable	27,369	18,021	45,390
Intergovernmental Payable	90,482	64,174	154,656
Accrued Interest Payable	6,624	40,290	46,914
Contracts Payable	0	63,150	63,150
Customer Deposits Payable	0	200,902	200,902
Long-Term Liabilities:			
Due Within One Year	83,373	318,803	402,176
Due In More Than One Year	307,900	3,106,761	3,414,661
<i>Total Liabilities</i>	<u>552,269</u>	<u>3,872,649</u>	<u>4,424,918</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	513,049	0	513,049
<b>Net Position</b>			
Net Investment in Capital Assets	2,123,567	7,008,639	9,132,206
Restricted for:			
Street Construction	665,366	0	665,366
Police Protection	14,787	0	14,787
Fire Protection	147,696	0	147,696
Community Development	963,220	0	963,220
Capital Projects	2,490,140	0	2,490,140
Cemetery Perpetual Care	255,166	0	255,166
Unrestricted	649,190	1,804,573	2,453,763
<i>Total Net Position</i>	<u>\$7,309,132</u>	<u>\$8,813,212</u>	<u>\$16,122,344</u>

See accompanying notes to the basic financial statements

**City of Wellston, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2014

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
<b>Governmental Activities</b>				
General Government	\$675,539	\$45,128	\$102,652	\$0
Security of Persons and Property:				
Police	899,465	46,732	60,392	0
Fire	454,599	39,454	46,237	0
Transportation	328,581	0	117,721	903,635
Leisure Time Activities	5,290	0	0	0
Public Health Services	40,607	18,880	12,231	0
Community Environment	514,975	0	371,797	0
Interest and Fiscal Charges	10,715	0	0	0
<i>Total Governmental Activities</i>	<u>2,929,771</u>	<u>150,194</u>	<u>711,030</u>	<u>903,635</u>
<b>Business-Type Activities</b>				
Water	1,307,385	1,612,671	0	0
Sewer	958,346	1,015,885	0	0
Garbage	302,451	375,960	0	0
<i>Total Business-Type Activities</i>	<u>2,568,182</u>	<u>3,004,516</u>	<u>0</u>	<u>0</u>
<i>Totals</i>	<u>\$5,497,953</u>	<u>\$3,154,710</u>	<u>\$711,030</u>	<u>\$903,635</u>

**General Revenues**

Property Taxes Levied for:

    General Purposes

    Fire Protection

    Cemetery

    Streets

Income Taxes Levied for General Purposes

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

*Total General Revenues*

Transfers

*Total General Revenues and Transfers*

*Change in Net Position*

*Net Position Beginning of Year*

*Net Position End of Year*

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(\$527,759)	\$0	(\$527,759)
(792,341)	\$0	(792,341)
(368,908)	\$0	(368,908)
692,775	0	692,775
(5,290)	0	(5,290)
(9,496)	0	(9,496)
(143,178)	0	(143,178)
(10,715)	0	(10,715)
<u>(1,164,912)</u>	<u>0</u>	<u>(1,164,912)</u>
0	305,286	305,286
0	57,539	57,539
0	73,509	73,509
<u>0</u>	<u>436,334</u>	<u>436,334</u>
<u>(1,164,912)</u>	<u>436,334</u>	<u>(728,578)</u>
151,447	0	151,447
49,994	0	49,994
254,337	0	254,337
33,697	0	33,697
1,137,147	0	1,137,147
209,938	0	209,938
67,593	0	67,593
49,777	105,203	154,980
<u>1,953,930</u>	<u>105,203</u>	<u>2,059,133</u>
<u>(5,000)</u>	<u>5,000</u>	<u>0</u>
<u>1,948,930</u>	<u>110,203</u>	<u>2,059,133</u>
784,018	546,537	1,330,555
<u>6,525,114</u>	<u>8,266,675</u>	<u>14,791,789</u>
<u>\$7,309,132</u>	<u>\$8,813,212</u>	<u>\$16,122,344</u>

**City of Wellston, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2014*

	General	Fire Levy	Street	Permanent Investment	Other Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$411,409	\$85,293	\$347,107	\$0	\$1,010,890
Investments in Segregated Accounts	0	0	0	2,433,835	175,000
Receivables:					
Income Tax	303,444	0	0	0	0
Property Taxes	212,364	289,587	0	0	193,059
Intergovernmental	58,180	17,541	137,241	0	136,867
Loans	0	0	0	0	139,868
Interfund	157,126	0	0	0	0
Materials and Supplies Inventory	0	0	6,500	0	0
<i>Total Assets</i>	<u>\$1,142,523</u>	<u>\$392,421</u>	<u>\$490,848</u>	<u>\$2,433,835</u>	<u>\$1,655,684</u>
<b>Liabilities</b>					
Accounts Payable	16,081	3,081	6,401	0	10,958
Accrued Wages Payable	20,738	4,603	2,028	0	0
Interfund Payable	0	0	0	0	157,126
Intergovernmental Payable	66,820	14,497	5,794	0	3,371
<i>Total Liabilities</i>	<u>103,639</u>	<u>22,181</u>	<u>14,223</u>	<u>0</u>	<u>171,455</u>
<b>Deferred Inflows of Resources</b>					
Property Taxes	156,765	213,770	0	0	142,514
Unavailable Revenue	96,801	93,358	82,793	0	126,625
<i>Total Deferred Inflows of Resources</i>	<u>253,566</u>	<u>307,128</u>	<u>82,793</u>	<u>0</u>	<u>269,139</u>
<b>Fund Balances</b>					
Nonspendable for Cemetery Perpetual Care	0	0	0	0	251,268
Nonspendable for Inventories	0	0	6,500	0	0
Restricted for:					
Street Construction	0	0	387,332	0	149,271
Police Protection	0	0	0	0	14,787
Fire Protection	0	63,112	0	0	0
Community Development	0	0	0	0	904,052
Capital Projects	0	0	0	2,433,835	56,305
Assigned to:					
Purchases on Order	10,154	0	0	0	0
Subsequent Year's Appropriations	130,000	0	0	0	0
Unassigned	645,164	0	0	0	(160,593)
<i>Total Fund Balances</i>	<u>785,318</u>	<u>63,112</u>	<u>393,832</u>	<u>2,433,835</u>	<u>1,215,090</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$1,142,523</u>	<u>\$392,421</u>	<u>\$490,848</u>	<u>\$2,433,835</u>	<u>\$1,655,684</u>

See accompanying notes to the basic financial statements

**City of Wellston, Ohio**  
*Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
December 31, 2014*

	<b>Total Governmental Fund Balances</b>	\$4,891,187
Total Governmental Funds	<b><i>Amounts reported for governmental activities in the statement of net position are different because:</i></b>	
\$1,854,699	Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,416,265
2,608,835		
303,444	Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:	
695,010	Delinquent Property Taxes	181,961
349,829	Intergovernmental Revenues	217,616
139,868		399,577
157,126		
6,500		
<u>\$6,115,311</u>		
36,521	Some liabilities are not due and payable in the current period and therefore are not reported in the funds:	
27,369	Compensated Absences	(88,574)
157,126	Accrued Interest Payable	(6,624)
90,482	Long-Term Loans Payable	(302,699)
<u>311,498</u>		<u>(397,897)</u>
	Net Position of Governmental Activities	<u>\$7,309,132</u>
513,049		
<u>399,577</u>		
912,626	See accompanying notes to the basic financial statements	
251,268		
6,500		
536,603		
14,787		
63,112		
904,052		
2,490,140		
10,154		
130,000		
484,571		
<u>4,891,187</u>		
<u>\$6,115,311</u>		

**City of Wellston, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2014*

	General	Fire Levy	Street	Permant Improvements	Other Governmental Funds
<b>Revenues</b>					
Property Taxes	\$156,841	\$261,692	\$0	\$0	\$51,629
Income Taxes	1,137,147	0	0	0	0
Permissive Motor Vehicle License Tax	0	0	67,767	0	0
Intergovernmental	167,841	54,869	926,630	0	546,797
Charges for Services	15,647	30,322	0	0	18,880
Fines and Forfeitures	29,671	0	0	0	1,414
Licenses and Permits	19,324	0	0	0	0
Investment Earnings	67,593	0	332	0	0
Rent	25,804	0	0	0	7,531
Contributions and Donations	0	500	0	0	0
Miscellaneous	27,258	7,037	3,968	0	11,514
<i>Total Revenues</i>	<u>1,647,126</u>	<u>354,420</u>	<u>998,697</u>	<u>0</u>	<u>637,765</u>
<b>Expenditures</b>					
Current:					
General Government	638,999	0	0	0	45,318
Security of Persons and Property:					
Police	787,212	0	0	0	86,911
Fire	0	489,719	0	0	0
Transportation	0	0	885,138	0	64,245
Public Health Services	0	0	0	0	27,449
Community Environment	0	0	0	0	484,647
Capital Outlay	0	0	0	0	188,966
Debt Service:					
Principal Retirement	0	0	0	0	30,253
Interest and Fiscal Charges	0	0	0	0	4,091
<i>Total Expenditures</i>	<u>1,426,211</u>	<u>489,719</u>	<u>885,138</u>	<u>0</u>	<u>931,880</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>220,915</u>	<u>(135,299)</u>	<u>113,559</u>	<u>0</u>	<u>(294,115)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	0	0		0	43,725
Proceeds of Loans	0	160,000	0	0	0
Proceeds from Sale of Capital Assets	0	6,231	0	0	0
Transfers Out	(43,725)	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(43,725)</u>	<u>166,231</u>	<u>0</u>	<u>0</u>	<u>43,725</u>
<i>Net Change in Fund Balance</i>	177,190	30,932	113,559	0	(250,390)
<i>Fund Balances Beginning of Year</i>	<u>608,128</u>	<u>32,180</u>	<u>280,273</u>	<u>2,433,835</u>	<u>1,465,480</u>
<i>Fund Balances End of Year</i>	<u>\$785,318</u>	<u>\$63,112</u>	<u>\$393,832</u>	<u>\$2,433,835</u>	<u>\$1,215,090</u>

See accompanying notes to the basic financial statements

**City of Wellston, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2014*

	<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$71,291</b>																								
<p>Total Governmental Funds</p> <hr/> <p>\$470,162 1,137,147 67,767 1,696,137 64,849 31,085 19,324 67,925 33,335 500 49,777</p> <hr/> <p>3,638,008</p> <hr/> <p>684,317 874,123 489,719 949,383 27,449 484,647 188,966</p> <hr/> <p>30,253 4,091</p> <hr/> <p>3,732,948</p> <hr/> <p>(94,940)</p> <hr/> <p>43,725 160,000 6,231 (43,725)</p> <hr/> <p>166,231</p> <hr/> <p>71,291</p> <hr/> <p>4,819,896</p> <hr/> <p><u>\$4,891,187</u></p>	<p><i>Amounts reported for governmental activities in the statement of activities are different because:</i></p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:</p> <table border="0" style="width: 100%;"> <tr> <td style="padding-left: 20px;">Capital Outlay</td> <td style="text-align: right;">1,022,509</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Depreciation</td> <td style="text-align: right;"><u>(155,313)</u></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Excess of Capital Outlay over Depreciation Expense</td> <td></td> <td style="text-align: right;">867,196</td> </tr> </table> <p>Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of proceeds and the loss on the disposal of assets:</p> <table border="0" style="width: 100%;"> <tr> <td style="padding-left: 20px;">Proceeds from Sale of Capital Assets</td> <td style="text-align: right;">(6,231)</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Loss on Sale of Capital Assets</td> <td style="text-align: right;"><u>(86,589)</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">(92,820)</td> </tr> </table> <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:</p> <table border="0" style="width: 100%;"> <tr> <td style="padding-left: 20px;">Delinquent Property Taxes</td> <td style="text-align: right;">19,313</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Intergovernmental Revenues</td> <td style="text-align: right;"><u>61,468</u></td> <td style="text-align: right;">80,781</td> </tr> </table> <p>Repayments of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p> <p style="text-align: right;">30,253</p> <p>Long-term debt proceeds are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of activities.</p> <p style="text-align: right;">(160,000)</p> <p>In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, interest is expended when due.</p> <p style="text-align: right;">(2,883)</p> <p>Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p> <p style="text-align: right;"><u>(9,800)</u></p> <p><i>Change in Net Position of Governmental Activities</i></p> <p style="text-align: right;"><u><u>\$784,018</u></u></p>	Capital Outlay	1,022,509		Depreciation	<u>(155,313)</u>		Excess of Capital Outlay over Depreciation Expense		867,196	Proceeds from Sale of Capital Assets	(6,231)		Loss on Sale of Capital Assets	<u>(86,589)</u>				(92,820)	Delinquent Property Taxes	19,313		Intergovernmental Revenues	<u>61,468</u>	80,781	
Capital Outlay	1,022,509																									
Depreciation	<u>(155,313)</u>																									
Excess of Capital Outlay over Depreciation Expense		867,196																								
Proceeds from Sale of Capital Assets	(6,231)																									
Loss on Sale of Capital Assets	<u>(86,589)</u>																									
		(92,820)																								
Delinquent Property Taxes	19,313																									
Intergovernmental Revenues	<u>61,468</u>	80,781																								
	See accompanying notes to the basic financial statements																									

**City of Wellston, Ohio**  
*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Year Ended December 31, 2014*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property Taxes	\$153,100	\$153,100	\$156,841	\$3,741
Income Taxes	1,078,000	1,078,000	1,138,352	60,352
Intergovernmental	117,500	117,500	167,201	49,701
Charges for Services	16,350	16,350	15,647	(703)
Licenses and Permits	5,500	5,500	19,324	13,824
Fines and Forfeitures	36,500	36,500	27,503	(8,997)
Investment Earnings	65,800	65,800	67,124	1,324
Rent	25,296	25,296	25,804	508
Miscellaneous	0	0	27,258	27,258
<i>Total Revenues</i>	<u>1,498,046</u>	<u>1,498,046</u>	<u>1,645,054</u>	<u>147,008</u>
<b>Expenditures</b>				
Current:				
General Government	688,368	688,368	670,756	17,612
Security of Persons and Property:				
Police	<u>786,777</u>	<u>786,777</u>	<u>770,588</u>	<u>16,189</u>
<i>Total Expenditures</i>	<u>1,475,145</u>	<u>1,475,145</u>	<u>1,441,344</u>	<u>33,801</u>
<i>Excess of Revenues Over Expenditures</i>	22,901	22,901	203,710	180,809
<b>Other Financing Uses</b>				
Transfers Out	<u>(40,000)</u>	<u>(40,000)</u>	<u>(43,725)</u>	<u>(3,725)</u>
<i>Net Change in Fund Balance</i>	(17,099)	(17,099)	159,985	177,084
<i>Fund Balance at Beginning of Year</i>	359,806	359,806	359,806	0
Prior Year Encumbrances Appropriated	<u>21,396</u>	<u>21,396</u>	<u>21,396</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$364,103</u>	<u>\$364,103</u>	<u>\$541,187</u>	<u>\$177,084</u>

See accompanying notes to the basic financial statements



**City of Wellston, Ohio**  
*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (Budget Basis)*  
*Fire Levy Fund*  
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$248,094	\$248,094	\$261,692	\$13,598
Intergovernmental	21,580	58,580	39,454	(19,126)
Charges for Services	0	0	43,437	43,437
Contributions and Donations	41,655	41,655	500	(41,155)
Miscellaneous	0	0	2,037	2,037
<i>Total Revenues</i>	311,329	348,329	347,120	(1,209)
<b>Expenditures</b>				
Current:				
Security of Persons and Property:				
Fire	296,994	504,932	484,699	20,233
<i>Excess of Revenues Over (Under) Expenditures</i>	14,335	(156,603)	(137,579)	19,024
<b>Other Financing Sources</b>				
Proceeds of Loans	0	160,000	160,000	0
Proceeds from Sale of Capital Assets	0	0	6,231	6,231
<i>Total Other Financing Sources</i>	0	160,000	166,231	6,231
<i>Net Change in Fund Balance</i>	14,335	3,397	28,652	25,255
<i>Fund Balance at Beginning of Year</i>	48,563	48,563	48,563	0
Prior Year Encumbrances Appropriated	2,812	2,812	2,812	0
<i>Fund Balance at End of Year</i>	\$65,710	\$54,772	\$80,027	\$25,255

See accompanying notes to the basic financial statements

**City of Wellston, Ohio**  
*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (Budget Basis)*  
*Street Fund*  
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Permissive Motor Vehicle License Tax	\$69,000	\$69,000	\$72,935	\$3,935
Intergovernmental	214,000	912,424	909,250	(3,174)
Investment Earnings	0	0	332	332
Miscellaneous	0	0	3,968	3,968
<i>Total Revenues</i>	283,000	981,424	986,485	5,061
<b>Expenditures</b>				
Current:				
Transportation	206,305	928,611	892,208	36,403
<i>Net Change in Fund Balance</i>	76,695	52,813	94,277	41,464
<i>Fund Balance Beginning of Year</i>	242,678	242,678	242,678	0
Prior Year Encumbrances Appropriated	3,589	3,589	3,589	0
<i>Fund Balance End of Year</i>	<u>\$322,962</u>	<u>\$299,080</u>	<u>\$340,544</u>	<u>\$41,464</u>

See accompanying notes to the basic financial statements

**City of Wellston, Ohio**  
*Statement of Fund Net Position*  
*Enterprise Funds*  
*December 31, 2014*

	Water	Sewer	Garbage	Total Enterprise Funds
<b>Assets</b>				
Current:				
Equity in Pooled Cash and Cash Equivalents	\$961,926	\$696,110	\$201,492	\$1,859,528
Accounts Receivable	148,600	104,118	32,987	285,705
Materials and Supplies Inventory	11,500	0	0	11,500
Restricted Assets:				
Customer Deposits- Cash and Cash Equivalents	200,902	0	0	200,902
<i>Total Current Assets</i>	<u>1,322,928</u>	<u>800,228</u>	<u>234,479</u>	<u>2,357,635</u>
Noncurrent:				
Depreciable Capital Assets, Net	4,351,719	5,879,312	97,195	10,328,226
<i>Total Assets</i>	<u>5,674,647</u>	<u>6,679,540</u>	<u>331,674</u>	<u>12,685,861</u>
<b>Liabilities</b>				
Current:				
Accounts Payable	35,614	13,309	11,625	60,548
Contracts Payable	55,690	7,460	0	63,150
Accrued Wages Payable	14,277	0	3,744	18,021
Intergovernmental Payable	35,776	20,539	7,859	64,174
Accrued Interest Payable	4,201	35,895	194	40,290
OPWC Loans Payable	36,263	3,032	0	39,295
OWDA Loans Payable	14,314	144,456	0	158,770
Compensated Absences Payable	16,832	24,183	11,723	52,738
General Obligation Bonds Payable	0	19,000	0	19,000
Payable from Restricted Assets:				
Customer Deposits Payable	200,902	0	0	200,902
Revenue Bonds Payable	0	49,000	0	49,000
<i>Total Current Liabilities</i>	<u>413,869</u>	<u>316,874</u>	<u>35,145</u>	<u>765,888</u>
Long-Term:				
OPWC Loans Payable	72,694	15,160	0	87,854
OWDA Loans Payable	906,211	118,788	0	1,024,999
Compensated Absences Payable	24,968	16,855	11,416	53,239
General Obligation Bonds Payable	0	529,000	0	529,000
Revenue Bonds Payable	0	1,327,000	0	1,327,000
Other Loans Payable	0	0	84,669	84,669
<i>Total Long-Term Liabilities</i>	<u>1,003,873</u>	<u>2,006,803</u>	<u>96,085</u>	<u>3,106,761</u>
<i>Total Liabilities</i>	<u>1,417,742</u>	<u>2,323,677</u>	<u>131,230</u>	<u>3,872,649</u>
<b>Net Position</b>				
Net Investment in Capital Assets	3,322,235	3,673,878	12,526	7,008,639
Unrestricted	934,670	681,985	187,918	1,804,573
<i>Total Net Position</i>	<u>\$4,256,905</u>	<u>\$4,355,863</u>	<u>\$200,444</u>	<u>\$8,813,212</u>

See accompanying notes to the basic financial statements

**City of Wellston, Ohio**  
*Statement of Revenues, Expenses and Changes in Fund Net Position*  
*Enterprise Funds*  
*For the Year Ended December 31, 2014*

	Water	Sewer	Garbage	Total Enterprise Funds
<b>Operating Revenues</b>				
Charges for Services	\$1,612,671	\$1,015,885	\$375,960	\$3,004,516
Miscellaneous	18,878	81,956	4,369	105,203
<i>Total Operating Revenues</i>	<u>1,631,549</u>	<u>1,097,841</u>	<u>380,329</u>	<u>3,109,719</u>
<b>Operating Expenses</b>				
Personal Services	459,418	247,249	119,451	826,118
Fringe Benefits	240,974	148,373	54,788	444,135
Contractual Services	202,358	117,328	81,536	401,222
Materials and Supplies	256,139	88,124	16,006	360,269
Depreciation	128,220	249,692	27,770	405,682
Other	8,678	3,483	500	12,661
<i>Total Operating Expenses</i>	<u>1,295,787</u>	<u>854,249</u>	<u>300,051</u>	<u>2,450,087</u>
<i>Operating Income</i>	335,762	243,592	80,278	659,632
<b>Non-Operating Expenses</b>				
Interest and Fiscal Charges	(11,598)	(104,097)	(2,400)	(118,095)
<i>Income Before Contributions</i>	324,164	139,495	77,878	541,537
Capital Contributions from Other Funds	5,000	0	0	5,000
<i>Change in Net Position</i>	329,164	139,495	77,878	546,537
<i>Net Position Beginning of Year</i>	<u>3,927,741</u>	<u>4,216,368</u>	<u>122,566</u>	<u>8,266,675</u>
<i>Net Position End of Year</i>	<u>\$4,256,905</u>	<u>\$4,355,863</u>	<u>\$200,444</u>	<u>\$8,813,212</u>

See accompanying notes to the basic financial statements

**City of Wellston, Ohio**  
*Statement of Cash Flows*  
*Enterprise Funds*  
For the Year Ended December 31, 2014

	Water	Sewer	Garbage	Total Enterprise Funds
<b>Increase (Decrease) in Cash and Cash Equivalents</b>				
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$1,689,797	\$1,129,412	\$351,439	\$3,170,648
Other Cash Receipts	18,878	81,956	4,369	105,203
Cash Payments for Employee Services and Benefits	(686,593)	(387,539)	(169,987)	(1,244,119)
Cash Payments for Goods and Services	(513,389)	(207,796)	(94,149)	(815,334)
Utility Deposits Received	51,080	0	0	51,080
Utility Deposits Returned	(26,119)	0	0	(26,119)
<i>Net Cash Provided by Operating Activities</i>	<u>533,654</u>	<u>616,033</u>	<u>91,672</u>	<u>1,241,359</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Proceeds from OWDA Loans	4,369	0	0	4,369
Payments for Capital Acquisitions	(320,280)	(79,559)	0	(399,839)
Principal Paid on Revenue Bonds	0	(47,000)	0	(47,000)
Principal Paid on General Obligation Bonds	0	(19,000)	0	(19,000)
Principal Paid on Other Loans	0	0	(27,897)	(27,897)
Principal Paid on OWDA Loans	(119,045)	(141,330)	0	(260,375)
Principal Paid on OPWC Loans	(36,263)	(3,032)	0	(39,295)
Interest Paid on Revenue Bonds	0	(70,928)	0	(70,928)
Interest Paid on General Obligation Bonds	0	(28,300)	0	(28,300)
Interest Paid on Other Loans	0	0	(2,206)	(2,206)
Interest Paid on OWDA Loans	(12,586)	(8,128)	0	(20,714)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(483,805)</u>	<u>(397,277)</u>	<u>(30,103)</u>	<u>(911,185)</u>
<i>Net Increase in Cash and Cash Equivalents</i>	49,849	218,756	61,569	330,174
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,112,979</u>	<u>477,354</u>	<u>139,923</u>	<u>1,730,256</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$1,162,828</u></u>	<u><u>\$696,110</u></u>	<u><u>\$201,492</u></u>	<u><u>\$2,060,430</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>				
Operating Income	\$335,762	\$243,592	\$80,278	\$659,632
Adjustments:				
Depreciation	128,220	249,692	27,770	405,682
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	77,126	113,527	(24,521)	166,132
Increase in Materials and Supplies Inventory	(11,500)	0	0	(11,500)
Increase (Decrease) in Accounts Payable	(19,930)	234	5,409	(14,287)
Increase in Accrued Wages Payable	9,864	5,036	2,278	17,178
Increase (Decrease) in Intergovernmental Payable	(9,342)	3,228	(729)	(6,843)
Increase in Customer Deposits Payable	24,961	0	0	24,961
Increase (Decrease) in Compensated Absences Payable	(1,507)	724	1,187	404
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$533,654</u></u>	<u><u>\$616,033</u></u>	<u><u>\$91,672</u></u>	<u><u>\$1,241,359</u></u>

**Noncash Transactions:**

Non-Cash Transactions:

During 2014, the County Sales Tax Special Revenue Fund acquired \$5,000 in capital assets for the Water Enterprise Fund.

See accompanying notes to the basic financial statements

**City of Wellston, Ohio**  
*Statement of Assets and Liabilities*  
*Agency Funds*  
*December 31, 2014*

**Assets**

Equity in Pooled Cash and Cash Equivalents	<u><u>\$26,165</u></u>
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**Liabilities**

Due to Others	<u><u>\$26,165</u></u>
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See accompanying notes to the basic financial statements

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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**NOTE 1 - REPORTING ENTITY**

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

The Mayor, Auditor, Law Director, and Treasurer are each elected to four year terms. A seven member Council, plus a Council President are elected to two year terms. Department directors and public members of various boards and commissions are appointed by the Mayor or Council.

**Reporting Entity**

The financial reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the City are not misleading. The primary government consists of all funds and departments that are not legally separate from the City. Services provided by the primary government include police and fire protection, street maintenance and repairs, community development, parks and recreation, and water, sewer, and garbage services. A staff provides support (i.e., payroll processing, accounts payable, revenue collection) to the service providers. The operation and control of these activities is provided by the City Council through the budgetary process and by the City Auditor and the City Mayor through administrative and managerial requirements and procedures.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes, and there is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. No potential component units met these criteria.

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

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City’s accounting policies are described below.

**A. Basis of Presentation**

The City’s basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities and fund financial statements which provide a more detailed level of financial information.

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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Government-wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited expectations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

General Fund - The General Fund accounts for and reports all financial resources not accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Fire Levy Fund - The Fire Levy Special Revenue Fund is used to account for the operation of the Wellston Fire Department.



**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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Street Fund - The Street Special Revenue Fund is used to account for that portion of the State gasoline tax and motor vehicle registration fees designated for maintenance of streets within the City

Permanent Investment Fund -The Permanent Investment Capital Projects Fund is used to account for proceeds from the sale of the City's electric plant. Per local ordinance, these proceeds may only be used for capital expenditures.

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

#### Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as either enterprise or internal service. The City's proprietary funds are all classified as enterprise funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. All of the City's enterprise funds are major funds.

Water Fund - The Water Fund is used to account for the revenues generated from the charges for distribution of water to the residential and commercial users within the City.

Sewer Fund - The Sewer Fund is used to account for the revenues generated from the charges for sanitary sewer services provided to the residential and commercial users within the City.

Garbage Fund - The Garbage Fund is used to account for the revenues generated from the charges for garbage removal services provided to the residential and commercial users within the City.

#### Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. There are four categories of fiduciary funds; pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary funds are agency funds. The City's agency funds account for monies held for police and fire auxiliary organizations.

#### C. Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities and deferred inflows of resources associated with the operation of the City are included on the statement of net position. The statement of activities accounts for increases (i.e. revenues) and decreases (i.e. expenditures) in total net position.

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

#### D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, in the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

#### Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within sixty days of year end.

Non-exchange transactions, in which the City received value without directly giving equal value in return, includes income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the taxable income is earned. Revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursable basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue resources are considered to be both measurable and available at year end: interest, federal and state grant subsidies, state-levied local shared taxes (including motor vehicle license fees and gasoline taxes), income taxes, fees, and rentals.

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Expenses/Expenditures

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

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

E. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolutions, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the City Council may appropriate. The appropriations resolution is the City Council's authorization to spend resources and sets annual limits on the expenditures plus encumbrances at the level of control selected by the City Council. The legal level of budgetary control is at the object level within each department. Any budgetary modifications at this level may only be made by resolution of the City Council. Advances between funds are not required to be budgeted.

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the City Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were adopted by City Council.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriation resolution for the fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by City Council during the year.

F. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds, except for the Permanent Investment Capital Projects Fund and a portion of the Cemetery Perpetual Care Permanent Fund, are maintained in this pool. Interest in the pool is presented as “equity in pooled cash and cash equivalents.”

During 2014, investments were limited to certificates of deposit, which are reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the General Fund during 2014 amounted to \$67,593, which includes \$61,703 assigned from other City funds.

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents.

G. Receivables and Payables

Receivables and payables are recorded on the City’s financial statements to the extent that the amounts are determined to be material and are substantiated not only by supporting documentation, but also, by a reasonable, systematic method of determining their existence, completeness, valuation and, in the case of receivables, collectibility.

H. Interfund Balances

In general, on fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as “interfund receivables/payables.” The amounts are eliminated in the governmental and business-type activities columns on the statements of net position.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the enterprise funds represent water customer deposits.

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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**J. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities columns of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the enterprise funds are reported both in the business-type activities column of the government-wide statement of net position and in the funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Governmental activities' infrastructure amounts represent capital asset purchases made since January 1, 2004. The City has elected not to retroactively report governmental activities' infrastructure. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of ten thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	20 years	N/A
Buildings and Improvements	20-40 years	20-40 years
Equipment	15 years	15 years
Infrastructure	15 years	70 years
Vehicles	5-25 years	5-25 years

**K. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy.

The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The City records a liability for accumulated unused sick leave for employees after ten years of service.

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

The City reports all payables, accrued liabilities, and long-term obligations in the government-wide financial statements and it reports all payables, accrued liabilities, and long-term obligations payable from proprietary funds in the proprietary fund financial statements.

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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In general, the City reports governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, as obligations of the funds. However compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that these liabilities come due for payment during the current year. The City recognizes long-term loans as a liability in the governmental fund financial statements when due.

Long-term liabilities are being repaid from the following funds:

Obligation	Fund
Compensated Absences	The fund from which the employee's salary is paid.
Vehicle Loans	General Fund, Fire Levy Fund, Sales Tax Fund, Garbage Fund
Revenue Bonds	Sewer Fund
OWDA Loans	Water Fund and Sewer Fund
OPWC Loans	Water Fund and Sewer Fund
Safe Water Loans	Water Fund
General Obligation Bonds	Sewer Fund
CDBG Loans	CDBG Revolving Loan Fund

**M. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans, if any.

***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions or enabling legislation (City Ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandates payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore,

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute.

**Unassigned** Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

#### N. Net Position

Net position represents the difference between assets and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the constitutional provisions or through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

#### O. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers within governmental activities are eliminated.

Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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P. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for sewer, water, and garbage utility services. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting the definition are reported as nonoperating.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City that are either unusual in nature or infrequent in occurrence.

NOTE 3 - FUND DEFICITS

The Cemetery Special Revenue Fund had a deficit fund balance of \$160,593 as of December 31, 2014. This deficit is due to a negative cash balance, combined with adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures and Changes in Fund Balances, Budget and Actual (Budget Basis), 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 the 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. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as committed or assigned fund balance (GAAP basis).
4. Unrecorded cash and interest is reported on the balance sheet (GAAP) but not on the budgetary basis.



**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis are as follows:

Net Change in Fund Balances

	Fire		
	General	Levy	Street
GAAP Basis	\$177,190	\$30,932	\$113,559
Net Adjustment for Revenue Accruals	(1,603)	(5,000)	(12,212)
Net Adjustment for Expenditure Accruals	11,746	7,427	(507)
End of Year:			
Unreported Cash	0	(2,300)	0
Unreported Interest	(469)	0	0
Encumbrances	(26,879)	(2,407)	(6,563)
Budget Basis	\$159,985	\$28,652	\$94,277

**NOTE 5 - DEPOSITS AND INVESTMENTS**

Monies held by the City are classified by State statute into three.

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

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

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

Interim monies held by the City can be deposited or invested in the following securities:

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, 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 Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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.

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

### Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying amount of the City's deposits was \$6,550,129 and the bank balance was \$6,545,813. Of the bank balance, \$554,000 was covered by Federal depository insurance, \$3,877,724 was covered by pledged securities and \$2,114,089 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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**NOTE 6 - PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2014 for real and public utility property taxes represents collections of 2013 taxes.

2014 real property taxes are levied after October 1, 2014, on the assessed value as of January 1, 2014, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2014 real property taxes are collected in and intended to finance 2015.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2014 public utility property taxes which became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2014, was \$8.80 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2014 property tax receipts were based are as follows:

Real Property	\$57,005,490
Public Utility Real Property	31,500
Public Utility Personal Property	<u>1,552,960</u>
Total	<u>\$58,589,950</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property and public utility taxes and outstanding delinquencies which are measurable as of December 31, 2014, and for which there is an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2014 operations is offset to deferred inflows of resources - property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources - unavailable revenue.

**NOTE 7 - INCOME TAX**

The City levies a municipal income tax of one percent on substantially all income earned within the City. In addition, the residents of the City are required to pay income tax on income earned outside of the City; however, the City allows a credit for income taxes paid to another municipality.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the Regional Income Tax Agency (RITA, the City's third party administrator) quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration semi-annually.

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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Income tax proceeds are to be used for the purposes of general municipal operations, maintenance of facilities, new equipment, extension and enlargement of municipal services and facilities and capital improvements of the City of Wellston. In 2014, all proceeds were receipted into the General Fund.

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2014, consisted primarily of taxes; loans; interfund receivables; intergovernmental receivables arising from grants, entitlements, and shared revenues; and utility accounts. All receivables are considered fully collectible. Delinquent utility accounts receivable (billings for user charged services) are certified and collected as special assessments, subject to foreclosure for nonpayment. The financial statements reflect loans receivable of \$139,868 for principal owed to the City for CDBG and UDAG revolving loan monies loaned to businesses for improvement and expansion efforts. All receivables are expected to be collected within one year, with the exception of delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$181,962, as well as \$133,915 of the outstanding CDBD and UDAG revolving loan receivables.

A summary of intergovernmental receivables follows:

<b><u>Governmental Activities:</u></b>	
Local Government Subsidies	\$85,247
Gasoline Tax	88,812
Motor Vehicle License Tax	23,174
Permissive Tax	33,282
Sales Tax	117,131
Fines and Forfeitures	2,183
Total Intergovernmental Receivables	<u><u>\$349,829</u></u>

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2014, was as follows:

	Balance 12/31/2013	Additions	Reductions	Balance 12/31/2014
<b><u>Governmental Activities:</u></b>				
Non-Depreciable Capital Assets:				
Land	\$103,550	\$14,085	\$0	\$117,635
Land Improvements	81,141	0	0	81,141
Total Non-Depreciable Capital Assets	<u>184,691</u>	<u>14,085</u>	<u>0</u>	<u>198,776</u>
Depreciable Capital Assets:				
Improvements Other than Buildings	27,579	0	0	27,579
Buildings and Improvements	1,031,886	0	0	1,031,886
Equipment	214,351	0	0	214,351
Infrastructure	576,355	848,424	0	1,424,779
Vehicles	1,284,914	160,000	(221,000)	1,223,914
Total Depreciable Capital Assets	<u>3,135,085</u>	<u>1,008,424</u>	<u>(221,000)</u>	<u>3,922,509</u>
Accumulated Depreciation:				
Land Improvements	7,584	1,379	0	8,963
Buildings and Improvements	522,881	23,379	0	546,260
Equipment	176,408	3,010	0	179,418
Infrastructure	282,483	54,518	0	337,001
Vehicles	688,531	73,027	(128,180)	633,378
Total Accumulated Depreciation	<u>1,677,887</u>	<u>155,313</u> *	<u>(128,180)</u>	<u>1,705,020</u>
Total Depreciable Capital Assets, Net	<u>1,457,198</u>	<u>853,111</u>	<u>(92,820)</u>	<u>2,217,489</u>
Governmental Activities Capital Assets, Net	<u>\$1,641,889</u>	<u>\$867,196</u>	<u>(\$92,820)</u>	<u>\$2,416,265</u>

\*Depreciation expense was charged to governmental activities as follows:

<b><u>Governmental Activities:</u></b>	
General Government	\$449
Security of Persons and Property- Police	13,398
Security of Persons and Property- Fire	35,880
Transportation	3,247
Leisure Time Activities	76,691
Public Health Services	5,290
Community Environment	20,358
Total Depreciation Expense	<u>\$155,313</u>

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2014

	Balance 12/31/2013	Additions	Reductions	Balance 12/31/2014
<b><u>Business - Type Activities:</u></b>				
Non Depreciable Capital Assets:				
Construction in Progress	\$87,929	\$340,361	\$428,290	\$0
Total Non Depreciable Capital Assets	<u>87,929</u>	<u>340,361</u>	<u>428,290</u>	<u>0</u>
Depreciable Capital Assets:				
Buildings and Improvements	10,780,662	428,290	0	11,208,952
Equipment	546,510	95,499	0	642,009
Infrastructure	5,268,221	0	0	5,268,221
Vehicles	746,019	24,669	0	770,688
Total Depreciable Capital Assets	<u>17,341,412</u>	<u>548,458</u>	<u>0</u>	<u>17,889,870</u>
Accumulated Depreciation:				
Buildings and Improvements	4,955,572	274,870	0	5,230,442
Equipment	398,088	24,062	0	422,150
Infrastructure	1,193,778	72,933	0	1,266,711
Vehicles	608,524	33,817	0	642,341
Total Accumulated Depreciation	<u>7,155,962</u>	<u>405,682</u>	<u>0</u>	<u>7,561,644</u>
Total Depreciable Capital Assets, Net	<u>10,185,450</u>	<u>142,776</u>	<u>0</u>	<u>10,328,226</u>
Business - Type Activities Capital Assets, Net	<u>\$10,273,379</u>	<u>\$483,137</u>	<u>\$428,290</u>	<u>\$10,328,226</u>

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional plan benefit. Member contributions, the investment of which is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2014, members

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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in state and local classifications contributed 10 percent of covered payroll. For 2014, member and employer contribution rates were consistent across all three plans.

The City's 2014 contribution rate was 14 percent. The portion of the City's contribution used to fund pension benefits is net of postemployment health care benefits. The portion of the City's contribution allocated to health care for members in both the traditional and combined plans was 2 percent for 2014. Effective January 1, 2015, the portion of the employer contribution allocated to health care remained at 2 percent. Employer contribution rates are actuarially determined.

The City's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2014, 2013, and 2012 was \$146,707, \$152,829, and \$108,790, respectively. For 2014, 91 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012. Contributions to the member-directed plan for 2014 were \$6,025 made by the City and \$4,303 made by plan members.

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

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report that may be obtained by visiting the OPF website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - Employer and employee contribution rates are set by the Ohio Revised Code. From January 1, 2014, through July 1, 2014, plan members were required to contribute 10.75 percent of their annual covered salary. From July 2, 2014, through December 31, 2014, plan members were required to contribute 11.5 percent of their annual covered salary. Throughout 2014, employers were required to contribute 19.5 percent for police officers and 24 percent for firefighters.

The OPF pension fund is authorized by the Ohio Revised Code to allocate a portion of the employer contribution to retiree health care benefits. For 2014, the portion of the City's contribution used to fund pension benefits was 19 percent of covered payroll for police officers and 23.5 percent of covered payroll for firefighters. The City's contribution to OPF for police and firefighters pension was \$57,213 and \$33,987 for the year ended December 31, 2014, \$40,497 and \$16,628 for the year ended December 31, 2013, and \$32,349 and \$13,394 for the year ended December 31, 2012. For 2014, 87 percent has been contributed for both police and firefighters with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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

In order to qualify for postemployment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The postemployment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed 14 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code.

Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of the employer contribution allocated to health care for members in both the traditional and combined plans was 2 percent for 2014. Effective January 1, 2015, the portion of the employer contribution allocated to health care remained at 2 percent for both plans as recommended by the OPERS actuary.

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

The City's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2014, 2013, and 2012 was \$24,451, \$11,756, and \$43,482, respectively. For 2014, 91 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 9, 2012, with a transition plan commencing on January 1, 2014. With the passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contribution toward the health care fund after the end of the transition period.



**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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**B. Police and Fire Pension Fund**

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

OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Postemployment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

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

OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OPF website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required by the Ohio Revised Code to contribute to the pension plan at rates expressed as a percentage of payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and firefighters, respectively. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contribution made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2014, the employer contribution allocated to the health care plan was .5 percent of covered payroll. The amount of employer contribution allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contribution to OPF which was allocated to fund postemployment health care benefits for police and firefighters was \$1,506 and \$723 for the year ended December 31, 2014, \$12,824 and \$4,039 for the year ended December 31, 2013, and \$17,126 and \$5,241 for the year ended December 31, 2012. For 2014, 87 percent has been contributed for both police and firefighters with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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**NOTE 12 - OTHER EMPLOYEE BENEFITS**

**A. Deferred Compensation Plans**

City employees and elected officials participate in a statewide deferred compensation plan created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

**B. Employee Insurance Benefits**

The City provides one year's salary in life insurance and accidental death and dismemberment insurance through Sun Life to its full-time employees and part-time employees working a minimum of twenty hours per week.

The City provides comprehensive major medical insurance through Medical Mutual of Ohio. The total monthly premium for single coverage is \$509.16; for an employee and spouse coverage is \$1,534.01; for an employee with one child coverage is \$1,149.73; for an employee with two children coverage is \$1,500.57; family policy with one child coverage is \$1,604.33; family policy with two children coverage is \$ 1,457.92; family policy with three or more children coverage is \$1,723.45. The City pays 90 percent of premiums for elected officials and 90 percent of premiums for all other employees. Premiums are paid from the same funds that pay the employees' salaries.

**C. Compensated Absences**

Vacation leave is earned at varying rates based upon length of service. A maximum number of vacation hours may be accumulated based on length of service. Any unused vacation exceeding the maximum allowance is eliminated from the employee's leave balance. At the time of termination of employment or death, an employee (or his estate) is paid for his unused vacation leave.

Sick leave is earned at the rate of three and eight tenths hours per eighty hours of service and can be accumulated without limit. In the case of death or retirement of an employee who has five years of service, an employee or his estate is paid for one-half of his accumulated sick leave up to a maximum payment equal to thirty days for police and fire personnel, and forty-five days for other city employees.

**NOTE 13 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has addressed these various types of risks by purchasing comprehensive insurance through commercial carriers.

The types of coverage that the City has with commercial carriers are:

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

Type of Coverage	Limit	Aggregate Limit
General Liability	\$2,000,000 Per Occurrence	\$4,000,000
Public Officials Liability	2,000,000 Per Occurrence	4,000,000
Auto Liability	2,000,000 Per Occurrence	
Law Enforcement Professional Liability	2,000,000 Per Occurrence	4,000,000
Employee Dishonesty	50,000 Per Occurrence	
Property Damage	25,449,653	

Settled claims have not exceeded their commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from the prior year.

For 2014, the City paid the state workers' compensation system a premium based on a rate per \$100 of salaries. This rate is calculated based on accidents, history, and administrative costs. The participation in this state mandated insurance fund allows the City to transfer all risk associated with workers compensation.

**NOTE 14 - LONG-TERM OBLIGATIONS**

Changes in the City's long-term obligations during 2014 consist of the following:

	Outstanding 12/31/13	Additions	Reductions	Outstanding 12/31/14	Amounts Due Within One Year
<b><u>Governmental Activities:</u></b>					
Fire Trucks Loan- 2014 - \$160,000 - 3%	\$0	\$160,000	\$0	\$160,000	\$15,108
Fire Trucks Loan - 2001 - \$221,000 - 3.95%	108,311	0	13,079	95,232	13,609
Police Cruisers Loan - 2013 - \$63,288 - 2.75%	51,307	0	13,841	37,466	0
Jackson County Commissioners CDBG Loan - 2003 - \$50,000 - 0%	13,334	0	3,333	10,001	3,333
<b>Total Loans</b>	<b>172,952</b>	<b>160,000</b>	<b>30,253</b>	<b>302,699</b>	<b>32,050</b>
Compensated Absences Payable	78,774	19,395	9,595	88,574	51,323
<b>Total Governmental Activities</b>	<b>\$251,726</b>	<b>\$179,395</b>	<b>\$39,848</b>	<b>\$391,273</b>	<b>\$83,373</b>

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

	Outstanding 12/31/13	Additions	Reductions	Outstanding 12/31/14	Amounts Due Within One Year
<b><u>Business-Type Activities:</u></b>					
<b><u>General Obligation Bonds</u></b>					
Sewer Farmers Home Administration					
1993 - 5.00%	\$567,000	\$0	\$19,000	\$548,000	\$19,000
<b><u>Revenue Bonds</u></b>					
Sewer Farmers Home Administration					
1993 - 5.00%	1,423,000	0	47,000	1,376,000	49,000
<b><u>OPWC Loans</u></b>					
Water Line Improvements - 1996 - 0.00%	81,250	0	32,500	48,750	32,500
South Water Sludge Basin - 2009 - 0.00%	63,970	0	3,763	60,207	3,763
Green Acres Sewer Line - 2000 - 0.00%	21,224	0	3,032	18,192	3,032
Total OPWC Loans Payable	166,444	0	39,295	127,149	39,295
<b><u>OWDA Loans</u></b>					
Water Line Improvement - 1995 - 2.00%	87,479	0	87,479	0	0
Sewer Fund - 1996 - 2.20%	139,710	0	54,967	84,743	56,182
Sewer Fund - 2001 - 2.20%	264,864	0	86,363	178,501	88,274
Water Fund - 2010 - 3.00%	72,195	0	2,724	69,471	2,724
North Water Treatment Plant - 2011 - 0%	372,688	0	13,105	359,583	0
Jenkins Water Tank Replacement - 2011 - 2%	431,439	0	11,362	420,077	11,590
Fresh Water Fund (Phase II) - 2013 - 2.79%	71,400	4,369	4,375	71,394	0
Total OWDA Loans Payable	1,439,775	4,369	260,375	1,183,769	158,770
<b><u>Other Loans</u></b>					
Garbage Fund Truck Loan - 2013 - 2.75%	112,566	0	27,897	84,669	0
Compensated Absences Payable	105,573	7,458	7,054	105,977	52,738
Total Business-Type Activities	<u>\$3,814,358</u>	<u>\$11,827</u>	<u>\$400,621</u>	<u>\$3,425,564</u>	<u>\$318,803</u>

Compensated absences will be paid from the funds from which employees are paid, which include the General Fund, the Fire Levy and the Street Special Revenue Funds, and the Water, Sewer, and Garbage Enterprise Funds.

As of December 31, 2014, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$5,962,074, with an unvoted debt margin of \$2,978,849.

**Governmental Activities:**

The fire truck loan issued in 2001 for \$221,000 matures in 2020 and will be paid from the Sales Tax Special Revenue Fund.

In 2003, the City borrowed \$50,000 from the Jackson County Community Development Block Grant Revolving Loan Fund. Proceeds were used for the City's portion of a paving project conducted by the County. Repayment will be from the City's Community Development Block Grant Revolving Loan Special Revenue Fund. The loan will be paid off in 2017.

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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In 2013, the City borrowed \$63,288 to purchase two police cruisers. The loan matures in 2018 and will be paid from the Sales Tax Fund.

In 2014, the City borrowed \$160,000 to purchase a fire truck. The loan matures in 2024 and will be paid mainly from the Sales Tax Fund.

The annual requirements to retire all governmental loans outstanding as of December 31, 2014, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2015	\$32,050	\$9,555
2016	45,784	8,210
2017	47,176	6,812
2018	43,757	5,356
2019	33,053	4,237
2020-2024	100,879	7,169
	<u>\$302,699</u>	<u>\$41,339</u>

**Business-Type Activities:**

***General Obligation Bonds***

In 1993, the City issued Farmers Home Administration General Obligation Bonds for the Sewer Fund in the amount of \$798,000, for improvements to the City's sewer system. The bonds mature in 2032 and will be repaid through user fees. Principal and interest requirements to retire the City's general obligation bonds outstanding at December 31, 2014, are:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2015	\$19,000	\$27,400
2016	20,000	26,450
2017	21,000	25,450
2018	23,000	24,400
2019	24,000	23,250
2020-2024	137,000	97,200
2025-2029	176,000	59,300
2030-2032	128,000	13,050
	<u>\$548,000</u>	<u>\$296,500</u>

***Revenue Bonds***

The City issued \$2,000,000 in Sewer Fund Revenue Bonds in 1993 for improvements to the City's sewer system. The bonds will mature in 2032. Proceeds from these bonds provided financing for a sewer improvement projects.

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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Principal and interest requirements to retire the City's revenue bonds outstanding at December 31, 2014, are:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2015	\$49,000	\$68,800
2016	51,000	66,350
2017	54,000	63,800
2018	57,000	61,100
2019	59,000	58,250
2020-2024	344,000	243,850
2025-2029	441,000	148,500
2030-2032	321,000	32,600
	<u>\$1,376,000</u>	<u>\$743,250</u>

***OPWC Loans***

Ohio Public Works Commission (OPWC) loans were obtained in 1992 and 1996 in the amounts of \$79,857 and \$650,000, respectively, for water line improvements and water system renovations. Repayment will be made from user fees. The 1992 loan was paid off in 2012 and the 1996 loan will be paid off in 2016.

An OPWC loan was obtained in 2009 in the amount of \$75,259 for South Water Plant Improvements. Repayment will be made from user fees. The loan will be paid off in 2030.

An OPWC loan was obtained in 2000 in the amount of \$60,640 for the rehabilitation of the Green Acres sewer line. Repayment will be made from user fees. The loan will be paid off in 2020.

Principal requirements to retire the City's OPWC loans outstanding at December 31, 2014 are:

<u>Year</u>	<u>Principal</u>
2015	\$39,295
2016	23,045
2017	6,795
2018	6,795
2019	6,795
2020-2024	21,847
2025-2029	18,815
2030	3,762
	<u>\$127,149</u>

***OWDA Loans***

An Ohio Water Development Authority (OWDA) loan, maturing in 2014, was obtained in 1995 in the amount of \$1,113,654 for water line improvements. Repayment was made from user fees.

OWDA loans were obtained in 1996 and 2001 in the amounts of \$930,173 and \$1,221,145, respectively, for sewer upgrades. Repayment will be made from user fees and both will be paid off in 2016.

An OWDA loan was obtained in 2010 in the amount of \$81,729 for water system improvements. Repayment will be made from user fees and will be paid off in 2040.

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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An OWDA loan was obtained in 2011 for upgrades to the North Water Treatment Plant. Repayment will be made from user fees and a loan forgiveness grant. The loan is substantially complete, but an amortization schedule is not yet available.

An OWDA loan was obtained in 2011 for replacement of the Jenkins Water Tank. Repayment will be made from user fees and a loan forgiveness grant. The loan is substantially complete.

An OWDA loan was obtained in 2013 for additional upgrades to the North Water Treatment Plant (Fresh Water Phase II). Repayment will be from user fees. The loan has not been fully drawn, and an amortization schedule is not available.

Principal and interest requirements to retire the City's enterprise OWDA loans outstanding at December 31, 2014, are as follows:

Year	Principal	Interest
2015	\$158,770	\$13,346
2016	133,334	9,911
2017	14,784	7,874
2018	15,027	7,631
2019	15,274	7,384
2020-2024	80,256	33,083
2025-2029	87,230	26,069
2030-2034	94,931	18,358
2035-2039	103,438	11,621
2040-2042	49,748	2,710
Total	<u>\$752,792</u>	<u>\$137,987</u>

***Other Loans***

In 2013, the City borrowed \$138,850 for the purchase of a garbage truck. Repayment will be made from user fees. The loan will be paid off in 2018.

Year	Principal	Interest
2016	\$27,750	\$2,353
2017	28,513	1,590
2018	28,406	806
Total	<u>\$84,669</u>	<u>\$4,749</u>

***Pledged Revenues***

The City has pledged future customer water revenues, net of specified operating expenses, to repay \$1,113,654 in Ohio Water Development Authority loans issued in 1995, \$81,729 issued in 2010, and for \$448,167 issued in 2011. The loans are payable solely from customer net revenues. The final loan payment will be in 2042. Net revenues include all revenues received by the water utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loans are expected to require 5 percent of net revenues. The total principal and interest remaining to be paid on the loans is \$617,650. Principal and interest payments for the current year were \$111,896, net revenues were \$468,982 and total revenues were \$1,636,549.

The City has pledged future customer sewer revenues, net of specified operating expenses, to repay \$2,000,000 in revenue bonds issued in 1993, as well as a \$930,173 Ohio Water Development Authority

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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loan issued in 1996 and a \$1,221,145 Ohio Water Development Authority loan issued in 2001. The bonds and loans are payable solely from customer net revenues and are payable through 2032. Net revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the bonds and loan are expected to require 54 percent of net revenues. The total principal and interest remaining to be paid on the bonds and loan is \$2,389,295. Principal and interest payments for the current year were \$267,608, net revenues were \$493,284 and total revenues were \$1,097,841.

NOTE 15 - INTERFUND BALANCES AND TRANSFERS

A. Balances

Interfund Receivable and Interfund Payable balances at December 31, 2014, consisted of an interfund receivable to the General Fund and an interfund payable from the Cemetery Special Revenue Fund. The advance from the General Fund to the Cemetery Special Revenue Fund is due to a negative cash balance at year end. This advance will all be repaid in 2015.

B. Transfers

The General Fund made transfers to the Cemetery and COPS Special Revenue Funds in the amounts of \$40,000 and \$3,725, respectively. These transfers were used to move unrestricted revenue collected in the General Fund to finance these programs in accordance with budgetary authorizations. The transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

NOTE 16 - CONTINGENT LIABILITIES

A. Litigation

The City is currently party to legal proceedings. The City has determined that any potential liability will not have a material effect on the financial statements.

B. Federal and State Grants

For the period January 1, 2014, to December 31, 2014, the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

NOTE 17 - FISCAL EMERGENCY DECLARATION

The Auditor of State's office placed the City in fiscal emergency on October 1, 2009, in accordance with Section 118.03, Ohio Revised Code. The declaration resulted in the establishment of a financial planning and supervision commission. The Commission is comprised of a representative of the Office of Budget and Management, a representative of the Treasurer of State, the City Mayor, the President of City Council, and three individuals appointed by the Governor who are residents of the City and meet certain criteria.



**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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In accordance with Section 118.06 of the Ohio Revised Code, the City is required to submit to the Commission a financial recovery plan for the City which outlines the measures to be taken to eliminate the fiscal emergency conditions. The City adopted its initial financial recovery plan on March 19, 2010.

**NOTE 18 - SIGNIFICANT COMMITMENTS**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to ensure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General Fund	\$26,879
Fire Fund	2,407
Street Fund	6,563
Non-Major Governmental Funds	95,679
Water Fund	179,125
Sewer Fund	<u>21,308</u>
	<u>\$331,961</u>

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## Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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### **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards***

City of Wellston  
Jackson County  
203 East Broadway Street  
Wellston, Ohio 45692

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wellston, Jackson County, (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 14, 2015.

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

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstance to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### **Compliance and Other Matters**

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

### **Purpose of this Report**

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Piketon, Ohio  
August 14, 2015



# Dave Yost • Auditor of State

**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  
NOVEMBER 17, 2015**