

City of Wellston

Jackson County

Regular Audit

January 1, 2006 through December 31, 2006

Fiscal Year Audited Under GAGAS: 2006

CAUDILL & ASSOCIATES, CPA'S  
725 5<sup>th</sup> Street  
PORTSMOUTH, OH 45662





Mary Taylor, CPA  
Auditor of State

City Council  
City of Wellston  
203 East Broadway  
Wellston, Ohio 45292

We have reviewed the *Independent Auditors' Report* of the City of Wellston, Jackson County, prepared by Caudill & Associates, CPA's, for the audit period January 1, 2006 through December 31, 2006. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

November 1, 2007

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**City of Wellston, Ohio**

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# CAUDILL & ASSOCIATES, CPA's

725 5<sup>th</sup> Street  
PORTSMOUTH, OH 45662

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants  
Kentucky Society of Certified Public Accountants

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

## Independent Auditors' Report

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, Ohio, (the "City"), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wellston, Ohio, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Housing Preservation Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 4 to the financial statements, the City accumulated negative fund balances in several funds including the Cemetery Fund of (\$151,740) and the Garbage Fund (\$84,753). As discussed in Note 20 to the financial statements, the City's poor financial conditional over the last several years in the general fund, raises substantial doubt about its ability to continue as a going concern. Existence of this poor financial conditional over the last several years raises substantial doubt about the City's ability to continue as a going concern.

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Independent Auditor's Report  
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In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2007, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America.. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Caudill & Associates, CPAs*

Caudill & Associates, CPA's  
July 31, 2007

**City of Wellston, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*  
*Unaudited*

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The management's 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, 2006. 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 2006 are as follows:

- The City's total net assets increased by 4 percent, or \$439,814, from the total net assets at the beginning of the year 2006.
- At the end of the current year, the City's governmental activities reported total net assets of \$5,891,629, an increase of \$303,309 from the prior year. Unrestricted net assets were \$95,465.
- At the end of the current year, unreserved fund balance for the General Fund was \$237,927, which represents a 3 percent decrease from the prior year, and represents 14 percent of total General Fund expenditures.
- Capital assets decreased \$311,929. Capital assets from governmental activities decreased \$57,866 or 3 percent. Capital assets of business-type activities decreased \$254,063 or 2 percent.

**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 Assets 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. Major 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.

**City of Wellston, Ohio**  
*Management's Discussion and Analysis*  
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***Reporting the City of Wellston as a Whole***

**Statement of Net Assets 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 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net assets and changes in those assets. This change in net assets is important because it tells the reader 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 Assets 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 charges 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, the Housing Improvement Special Revenue Fund, 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.

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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.

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, to recover the costs of the services provided, and to cover the capital expenses associated with the related facilities. 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, much like that of the proprietary funds.

**The City of Wellston as a Whole**

Recall that the Statement of Net Assets looks at the City as a whole. Table 1 provides a summary of the City's net assets for 2006 compared to 2005.

**Table 1**  
**Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Assets</b>						
Current and Other Assets	\$5,273,333	\$5,186,943	\$237,566	\$334,853	\$5,510,899	\$5,521,796
Capital Assets, Net	2,011,191	2,069,057	10,098,955	10,353,018	12,110,146	12,422,075
<i>Total Assets</i>	<u>7,284,524</u>	<u>7,256,000</u>	<u>10,336,521</u>	<u>10,687,871</u>	<u>17,621,045</u>	<u>17,943,871</u>
<b>Liabilities</b>						
Current and Other Liabilities	750,197	998,944	479,467	525,810	1,229,664	1,524,754
Noncurrent Liabilities	642,698	668,736	5,095,524	5,537,036	5,738,222	6,205,772
<i>Total Liabilities</i>	<u>1,392,895</u>	<u>1,667,680</u>	<u>5,574,991</u>	<u>6,062,846</u>	<u>6,967,886</u>	<u>7,730,526</u>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	1,460,256	1,449,363	5,048,754	4,862,488	6,509,010	6,311,851
Restricted	4,335,908	4,184,633	0	0	4,335,908	4,184,633
Unrestricted (Deficit)	95,465	(45,676)	(287,224)	(237,463)	(191,759)	(283,139)
<i>Total Net Assets</i>	<u>\$5,891,629</u>	<u>\$5,588,320</u>	<u>\$4,761,530</u>	<u>\$4,625,025</u>	<u>\$10,653,159</u>	<u>\$10,213,345</u>

**City of Wellston, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2006*  
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Total assets decreased \$322,826. Governmental activities' capital assets decreased \$57,866. The \$254,063 decrease in capital assets for business-type activities is due to depreciation in the amount of \$365,620, offset by the purchases of building improvements, machinery, and infrastructure.

Net assets of the City's governmental activities increased \$303,309.

Table 2 shows the changes in net assets for the fiscal year ended December 31, 2006, and comparisons to 2005.

**Table 2**  
**Changes in Net Assets**

	Governmental Activities 2006	Business- Type Activities 2006	Total 2006	Governmental Activities 2005	Business- Type Activities 2005	Total 2005
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for Services	\$469,738	\$2,545,597	\$3,015,335	\$545,095	\$2,390,195	\$2,935,290
Operating Grants and Contributions	832,027	0	832,027	1,183,413	0	1,183,413
<i>Total Program Revenues</i>	<u>1,301,765</u>	<u>2,545,597</u>	<u>3,847,362</u>	<u>1,728,508</u>	<u>2,390,195</u>	<u>4,118,703</u>
<i>General Revenues:</i>						
Property Taxes	694,630	0	694,630	613,332	0	613,332
Income Taxes	1,111,205	0	1,111,205	765,640	0	765,640
Gain on Sale of Capital Assets	0	0	0	0	38,737	38,737
Grants and Entitlements	479,999	0	479,999	545,347	0	545,347
Investment Earnings	121,900	259	122,159	61,907	0	61,907
Miscellaneous	54,909	14,723	69,632	132,738	63,771	196,509
<i>Total General Revenues</i>	<u>2,462,643</u>	<u>14,982</u>	<u>2,477,625</u>	<u>2,118,964</u>	<u>102,508</u>	<u>2,221,472</u>
<i>Total Revenues</i>	<u>3,764,408</u>	<u>2,560,579</u>	<u>6,324,987</u>	<u>3,847,472</u>	<u>2,492,703</u>	<u>6,340,175</u>
Transfers	(114,539)	114,539	0	0	0	0
<i>Total Revenues</i>	<u>3,649,869</u>	<u>2,675,118</u>	<u>6,324,987</u>	<u>3,847,472</u>	<u>2,492,703</u>	<u>6,340,175</u>
<b>Program Expenses</b>						
General Government	787,071	0	787,071	740,525	0	740,525
Security of Persons and Property	1,449,699	0	1,449,699	1,396,419	0	1,396,419
Transportation	344,285	0	344,285	371,061	0	371,061
Leisure Time Activities	93,575	0	93,575	107,712	0	107,712
Public Health Services	196,492	0	196,492	179,343	0	179,343
Community Environment	453,235	0	453,235	542,965	0	542,965
Interest and Fiscal Charges	22,203	0	22,203	72,442	0	72,442
Water	0	1,145,008	1,145,008	0	1,253,469	1,253,469
Sewer	0	1,052,004	1,052,004	0	1,181,039	1,181,039
Garbage	0	341,601	341,601	0	359,384	359,384
<i>Total Program Expenses</i>	<u>3,346,560</u>	<u>2,538,613</u>	<u>5,885,173</u>	<u>3,410,467</u>	<u>2,793,892</u>	<u>6,204,359</u>
Increase (Decrease) in Net Assets	303,309	136,505	439,814	437,005	(301,189)	135,816
Net Assets Beginning of Year	5,588,320	4,625,025	10,213,345	5,151,315	4,926,214	10,077,529
Net Assets End of Year	<u>\$5,891,629</u>	<u>\$4,761,530</u>	<u>\$10,653,159</u>	<u>\$5,588,320</u>	<u>\$4,625,025</u>	<u>\$10,213,345</u>

**City of Wellston, Ohio**  
*Management's Discussion and Analysis*  
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*Unaudited*

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***Governmental Activities***

Grants and contributions accounted for 35 percent of total governmental revenues. Tax revenue provided 48 percent of total governmental revenues. Of the 48 percent, 30 percent was generated from income taxes and 18 percent was generated from property and other local taxes. These revenue sources comprise the largest components of City revenues. Income taxes, property and other local taxes, and grants and contributions combined together, provided 83 percent of the City's total governmental revenues.

The City received \$469,738, or 12 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 \$1,449,699, or 43 percent, of total expenses. General government activities utilized \$787,071, or 24 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, payment in lieu of taxes, intergovernmental revenues, and unrestricted interest earnings.

**Table 3**  
**Program Expenses and Net Costs of Governmental Activities, by Program**  
**For the Year Ended December 31, 2006**

	Program Activity Expenses <u>2006</u>	Net Cost (Gain) of Program Activity <u>2006</u>	Program Activity Expenses <u>2005</u>	Net Cost (Gain) of Program Activity <u>2005</u>
General Government	\$787,071	\$722,406	\$740,525	\$584,287
Security of Persons and Property	1,449,699	1,326,862	1,396,419	1,348,430
Transportation	344,285	34,088	371,061	(31,956)
Leisure Time Activities	93,575	29,486	107,712	23,364
Public Health Services	196,492	150,649	179,343	115,484
Community Environment	453,235	(240,899)	542,965	(430,092)
Interest and Fiscal Charges	22,203	22,203	72,442	72,442
<b>Totals</b>	<u><u>\$3,346,560</u></u>	<u><u>\$2,044,795</u></u>	<u><u>\$3,410,467</u></u>	<u><u>\$1,681,959</u></u>

**City of Wellston, Ohio**  
*Management's Discussion and Analysis*  
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***Business-Type Activities***

The City's business-type activities are for water, sewer, and garbage services. During 2006, program revenues exceeded expenses by \$6,984.

The minimum water rate is \$8.70 per each thousand gallons of water. Sewer fees are calculated on the amount of water used. The minimum sewer rate is \$18.70 per month. Garbage fees are assessed at a flat rate of a \$11.33 per month.

**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, unreserved 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 2006, fund balance was \$237,927. Fund balance represents 14 percent of total General Fund expenditures.

The fund balance of the City's General Fund decreased by \$24,966. A \$343,177 increase in revenues was essentially negated by a similar increase in expenditures. At the end of 2006, the General Fund transferred its remaining cash to support funds with negative cash balances. The General Fund has \$751 in cash at December 31, 2006, which was used, along with a \$451,798 advance from the Permanent Investment Capital Projects Fund, to temporarily support funds with negative cash balances.

***Other Major Governmental Funds***

The fund balance of the Housing Preservation Special Revenue Fund at December 31, 2006, is \$53,000, a decrease of \$67,851. The balance represents 22 percent of total fund expenditures.

The fund balance of the Permanent Investment Fund at December 31, 2006, 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, that may only be spent for capital improvements.

***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 major enterprise funds are the Water, Sewer, and Garbage Funds. The Water Fund's net assets increased \$119,618, the Sewer Fund's net assets decreased \$16,035, and the Garbage Fund's net assets increased \$32,922. The Garbage Fund's increase is due to a transfer received from the General Fund at year end.

**City of Wellston, Ohio**  
*Management's Discussion and Analysis*  
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*Unaudited*

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**General Fund Budgetary Highlights**

The City made few revisions to the original appropriations approved by City Council. Overall, these changes resulted in an increase from the original appropriations of \$53,463. The City did not change General Fund budgeted revenue original to final. Actual revenue fell short of estimates by \$27,694. Also, actual expenditures exceeded appropriations by \$9,105.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of 2006, the City had \$12,110,146 invested in capital assets, net of accumulated depreciation. Table 4 shows fiscal year 2006 balances compared to 2005.

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

	Governmental Activities		Business-Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Land	\$103,550	\$103,550	\$0	\$0	\$103,550	\$103,550
Buildings and Improvements	609,518	610,376	6,773,671	7,002,002	7,383,189	7,612,378
Equipment	49,938	55,477	162,834	124,410	212,772	179,887
Infrastructure	368,371	381,654	3,006,657	2,988,170	3,375,028	3,369,824
Vehicles	879,814	918,000	155,793	202,536	1,035,607	1,120,536
Construction in Progress	0	0	0	35,900	0	35,900
<b>Totals</b>	<b>\$2,011,191</b>	<b>\$2,069,057</b>	<b>\$10,098,955</b>	<b>\$10,353,018</b>	<b>\$12,110,146</b>	<b>\$12,422,075</b>

The total decrease in the City's capital assets, net of accumulated depreciation, for the current year was \$311,929 or 2 percent.

For additional information on capital assets, see Note10 to the basic financial statements.

**City of Wellston, Ohio**  
*Management's Discussion and Analysis*  
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*Unaudited*

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**Debt**

As of December 31, 2006 and December 31, 2005, the City had total long-term debt of \$5,637,803 and \$6,110,224, respectively, as follows:

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

	Governmental Activities		Business-Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Revenue Bonds	\$0	\$0	\$1,905,286	\$2,007,714	\$1,905,286	\$2,007,714
General Obligation Bonds	0	0	675,000	688,000	675,000	688,000
Long-Term Loans	587,602	619,694	140,797	230,582	728,399	850,276
OWDA Loans	0	0	1,975,729	2,171,321	1,975,729	2,171,321
OPWC Loans	0	0	353,389	392,913	353,389	392,913
<b>Totals</b>	<b>\$587,602</b>	<b>\$619,694</b>	<b>\$5,050,201</b>	<b>\$5,490,530</b>	<b>\$5,637,803</b>	<b>\$6,110,224</b>

The City's overall legal debt margin was \$7,602,813. For additional information on debt, see Note 15 to the basic financial statements.

**Economic Factors**

- The City's income tax rate of one percent with a full credit for tax paid to other municipalities represents an increase of .25 percent beginning in 2006.

**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 45292.

**City of Wellston, Ohio**

*Statement of Net Assets*

*December 31, 2006*

	Governmental Activities	Business - Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$3,053,193	\$0	\$3,053,193
Accounts Receivable	0	335,647	335,647
Intergovernmental Receivable	649,836	0	649,836
Permissive Motor Vehicle License Tax Receivable	26,369	0	26,369
Internal Balances	304,827	(304,827)	0
Income Tax Receivable	378,848	0	378,848
Property and Other Taxes Receivable	592,938	0	592,938
Loans Receivable	239,136	0	239,136
Customer Deposits	0	185,508	185,508
Prepaid Items	28,186	21,238	49,424
Non-Depreciable Capital Assets	103,550	0	103,550
Depreciable Capital Assets, Net	1,907,641	10,098,955	12,006,596
<i>Total Assets</i>	<u>7,284,524</u>	<u>10,336,521</u>	<u>17,621,045</u>
<b>Liabilities</b>			
Accounts Payable	35,591	92,050	127,641
Accrued Wages Payable	48,850	32,553	81,403
Intergovernmental Payable	170,681	100,665	271,346
Accrued Interest Payable	7,324	68,691	76,015
Deferred Revenue	487,751	0	487,751
Customer Deposits Payable	0	185,508	185,508
Long-Term Liabilities:			
Due Within One Year	112,637	414,057	526,694
Due In More Than One Year	530,061	4,681,467	5,211,528
<i>Total Liabilities</i>	<u>1,392,895</u>	<u>5,574,991</u>	<u>6,967,886</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	1,460,256	5,048,754	6,509,010
Restricted for:			
Street	302,592	0	302,592
Police	9,670	0	9,670
Community Development	1,174,570	0	1,174,570
Fire Protection	28,958	0	28,958
Capital Projects	2,443,145	0	2,443,145
Other Purposes	131,793	0	131,793
Cemetery Endowment:			
Expendable Portion	40,833	0	40,833
Nonexpendable Portion	204,347	0	204,347
Unrestricted (Deficit)	95,465	(287,224)	(191,759)
<i>Total Net Assets</i>	<u>\$5,891,629</u>	<u>\$4,761,530</u>	<u>\$10,653,159</u>

See accompanying notes to the basic financial statements

**City of Wellston, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2006

	Program Revenues		
Expenses	Charges for Services	Operating Grants, Contributions, and Interest	
<b>Governmental Activities</b>			
General Government	\$787,071	\$64,665	\$0
Security of Persons and Property	1,449,699	82,981	39,856
Transportation	344,285	53,487	256,710
Leisure Time Activities	93,575	49,889	14,200
Public Health Services	196,492	42,328	3,515
Community Environment	453,235	176,388	517,746
Interest and Fiscal Charges	22,203	0	0
<i>Total Governmental Activities</i>	3,346,560	469,738	832,027
<b>Business-Type Activities</b>			
Water	1,145,008	1,249,644	0
Sewer	1,052,004	989,271	0
Garbage	341,601	306,682	0
<i>Total Business-Type Activities</i>	2,538,613	2,545,597	0
<i>Total</i>	\$5,885,173	\$3,015,335	\$832,027

**General Revenues**

Property and Other Taxes Levied for:

General Purposes

Cemetery

Fire Protection

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 Assets

*Net Assets Beginning of Year*

*Net Assets End of Year*

See accompanying notes to the basic financial statements

Net (Expense) Revenue and  
Change in Net Assets

Governmental Activities	Business - Type Activities	Total
(\$722,406)	\$0	(\$722,406)
(1,326,862)	0	(1,326,862)
(34,088)	0	(34,088)
(29,486)	0	(29,486)
(150,649)	0	(150,649)
240,899	0	240,899
(22,203)	0	(22,203)
(2,044,795)	0	(2,044,795)
0	104,636	104,636
0	(62,733)	(62,733)
0	(34,919)	(34,919)
0	6,984	6,984
(2,044,795)	6,984	(2,037,811)
247,529	0	247,529
52,937	0	52,937
263,303	0	263,303
130,861	0	130,861
1,111,205	0	1,111,205
479,999	0	479,999
121,900	259	122,159
54,909	14,723	69,632
2,462,643	14,982	2,477,625
(114,539)	114,539	0
2,348,104	129,521	2,477,625
303,309	136,505	439,814
5,588,320	4,625,025	10,213,345
<u>\$5,891,629</u>	<u>\$4,761,530</u>	<u>\$10,653,159</u>

**City of Wellston, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2006*

	General	Housing Preservation	Permanent Investment	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$0	\$0	\$1,982,037	\$1,071,156	\$3,053,193
Receivables:					
Interfund	452,634	0	451,798	0	904,432
Intergovernmental	42,510	500,000	0	107,326	649,836
Income Taxes	378,848	0	0	0	378,848
Property and Other Taxes	232,571	0	0	360,367	592,938
Permissive Motor Vehicle License Tax	0	0	0	26,369	26,369
Loans	0	0	0	239,136	239,136
Prepaid Items	11,513	0	0	16,673	28,186
<i>Total Assets</i>	<u>\$1,118,076</u>	<u>\$500,000</u>	<u>\$2,433,835</u>	<u>\$1,821,027</u>	<u>\$5,872,938</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$18,479	\$0	\$0	\$17,112	\$35,591
Accrued Wages Payable	33,083	0	0	15,767	48,850
Intergovernmental Payable	115,878	0	0	54,803	170,681
Deferred Revenue	260,911	447,000	0	444,036	1,151,947
Interfund Payable	451,798	0	0	147,807	599,605
<i>Total Liabilities</i>	<u>880,149</u>	<u>447,000</u>	<u>0</u>	<u>679,525</u>	<u>2,006,674</u>
<b>Fund Balances</b>					
Reserved for Endowments	0	0	0	204,347	204,347
Reserved for Loans Receivable	0	0	0	186,840	186,840
Unreserved, Undesignated, Reported in:					
General Fund	237,927	0	0	0	237,927
Special Revenue Funds	0	53,000	0	700,172	753,172
Capital Projects Funds	0	0	2,433,835	9,310	2,443,145
Permanent Funds	0	0	0	40,833	40,833
<i>Total Fund Balance</i>	<u>237,927</u>	<u>53,000</u>	<u>2,433,835</u>	<u>1,141,502</u>	<u>3,866,264</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$1,118,076</u>	<u>\$500,000</u>	<u>\$2,433,835</u>	<u>\$1,821,027</u>	<u>\$5,872,938</u>

See accompanying notes to the basic financial statements

**City of Wellston, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 December 31, 2006*

**Total Governmental Fund Balances** \$3,866,264

*Amounts reported for governmental activities in the  
 statement of net assets are different because:*

Capital Assets used in governmental activities are not  
 financial resources and therefore are not reported in the funds. 2,011,191

Other long-term assets are not available to pay for current-period  
 expenditures and therefore are deferred in the funds:

Property Taxes	105,187	
Permissive Motor Vehicle License Taxes	28,340	
Intergovernmental Revenues	<u>530,669</u>	
Total		664,196

Some liabilities are not due and payable in the current  
 period and therefore are not reported in the funds:

Compensated Absences Payable	(55,096)	
Accrued Interest Payable	(7,324)	
Long-Term Notes Payable	<u>(587,602)</u>	
Total		<u>(650,022)</u>

**Net Assets of Governmental Activities** \$5,891,629

See accompanying notes to the basic financial statements

**City of Wellston, Ohio**  
*Statement of Revenues, Expenditures,  
and Changes in Fund Balances*  
*Governmental Funds*  
For the Year Ended December 31, 2006

	General	Housing Preservation	Permanent Investment	Other Governmental Funds	Totals Governmental Funds
<b>Revenues</b>					
Property and Other Taxes	\$234,240	\$0	\$0	\$428,305	\$662,545
Municipal Income Taxes	1,111,205	0	0	0	1,111,205
Permissive Motor Vehicle License Taxes	0	0	0	52,454	52,454
Intergovernmental	268,196	173,754	0	513,250	955,200
Charges for Services	621	0	0	189,104	189,725
Fines and Forfeitures	62,396	0	0	3,029	65,425
Licenses and Permits	13,660	0	0	0	13,660
Investment Earnings	113,484	0	0	26,555	140,039
Rent	51,005	0	0	96,501	147,506
Contributions and Donations	0	0	0	20,631	20,631
Other	33,230	0	0	21,679	54,909
<i>Total Revenues</i>	<u>1,888,037</u>	<u>173,754</u>	<u>0</u>	<u>1,351,508</u>	<u>3,413,299</u>
<b>Expenditures</b>					
Current:					
General Government	618,510	0	0	210,518	829,028
Security of Persons and Property	1,110,243	0	0	280,152	1,390,395
Transportation	1,026	0	0	339,339	340,365
Leisure Time Activities	0	0	0	93,225	93,225
Public Health Services	0	0	0	186,778	186,778
Community Environment	0	241,605	0	201,307	442,912
Capital Outlay	0	0	0	7,234	7,234
Debt Service:					
Principal Retirement	20,496	0	0	11,596	32,092
Interest and Fiscal Charges	665	0	0	21,843	22,508
<i>Total Expenditures</i>	<u>1,750,940</u>	<u>241,605</u>	<u>0</u>	<u>1,351,992</u>	<u>3,344,537</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>137,097</u>	<u>(67,851)</u>	<u>0</u>	<u>(484)</u>	<u>68,762</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	0			155,024	155,024
Transfers Out	(162,063)	0	0	(78,000)	(240,063)
<i>Total Other Financing Sources (Uses)</i>	<u>(162,063)</u>	<u>0</u>	<u>0</u>	<u>77,024</u>	<u>(85,039)</u>
<i>Net Change in Fund Balances</i>	(24,966)	(67,851)	0	76,540	(16,277)
<i>Fund Balances Beginning of Year</i>	<u>262,893</u>	<u>120,851</u>	<u>2,433,835</u>	<u>1,064,962</u>	<u>3,882,541</u>
<i>Fund Balances End of Year</i>	<u>\$237,927</u>	<u>\$53,000</u>	<u>\$2,433,835</u>	<u>\$1,141,502</u>	<u>\$3,866,264</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, 2006*

**Net Change in Fund Balances - Total Governmental Funds** (\$16,277)

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

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

Capital Asset Additions	57,159	
Depreciation Expense	<u>(115,025)</u>	(57,866)

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

Grants	309,207	
Permissive Motor Vehicle License Tax	9,807	
Delinquent Taxes	<u>32,085</u>	351,099

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 32,092

In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due. 305

Some expenses 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:

Compensated Absences Payable		<u>(6,054)</u>
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*Change in Net Assets of Governmental Activities* \$303,299

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, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Revenues</b>				
Property and Other Taxes	\$237,997	\$237,997	\$234,240	(\$3,757)
Municipal Income Taxes	965,236	965,236	950,000	(15,236)
Intergovernmental	272,497	272,497	268,196	(4,301)
Charges for Services	631	631	621	(10)
Fines and Forfeitures	63,397	63,397	62,396	(1,001)
Licenses and Permits	13,879	13,879	13,660	(219)
Investment Earnings	115,218	115,218	113,399	(1,819)
Rent	51,823	51,823	51,005	(818)
Other	33,763	33,763	33,230	(533)
<i>Total Revenues</i>	<u>1,754,441</u>	<u>1,754,441</u>	<u>1,726,747</u>	<u>(27,694)</u>
<b>Expenditures</b>				
Current:				
General Government	672,786	685,435	623,072	62,363
Security of Persons and Property	1,036,953	1,032,232	1,104,539	(72,307)
Transportation	2,526	1,026	1,026	0
Debt Service:				
Principal Retirement	21,000	21,000	20,496	504
Interest and Fiscal Charges	1,000	1,000	665	335
<i>Total Expenditures</i>	<u>1,734,265</u>	<u>1,740,693</u>	<u>1,749,798</u>	<u>(9,105)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	20,176	13,748	(23,051)	(36,799)
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(116,528)	(163,563)	(162,063)	1,500
<i>Net Change in Fund Balance</i>	(96,352)	(149,815)	(185,114)	(35,299)
<i>Fund Balance Beginning of Year</i>	168,063	168,063	168,063	0
Prior Year Encumbrances Appropriated	17,802	17,802	17,802	0
<i>Fund Balance End of Year</i>	<u>\$89,513</u>	<u>\$36,050</u>	<u>\$751</u>	<u>(\$35,299)</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)*  
**Housing Preservation Fund**  
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$522,000	\$171,989	\$168,596	(\$3,393)
<i>Total Revenues</i>	522,000	171,989	168,596	(3,393)
<b>Expenditures</b>				
Current:				
Community and Economic Development	241,987	241,998	241,605	393
<i>Total Expenditures</i>	241,987	241,998	241,605	393
<i>Net Change in Fund Balance</i>	280,013	(70,009)	(73,009)	(3,000)
<i>Fund Balance Beginning of Year</i>	1,004	1,004	1,004	0
<i>Fund Balance End of Year</i>	\$281,017	(\$69,005)	(\$72,005)	(\$3,000)

See accompanying notes to the basic financial statements

**City of Wellston, Ohio**  
*Statement of Fund Net Assets*  
*Enterprise Funds*  
*December 31, 2006*

	Water	Sewer	Garbage	Total Enterprise Funds
<b>Assets</b>				
Current:				
Accounts Receivable	\$169,897	\$163,722	\$2,028	\$335,647
Prepaid Items	11,263	9,429	546	21,238
Restricted Assets:				
Customer Deposits	185,508	0	0	185,508
<i>Total Current Assets</i>	<u>366,668</u>	<u>173,151</u>	<u>2,574</u>	<u>542,393</u>
Noncurrent:				
Depreciable Capital Assets, Net	2,319,241	7,729,214	50,500	10,098,955
<i>Total Noncurrent Assets</i>	<u>2,319,241</u>	<u>7,729,214</u>	<u>50,500</u>	<u>10,098,955</u>
<i>Total Assets</i>	<u>2,685,909</u>	<u>7,902,365</u>	<u>53,074</u>	<u>10,641,348</u>
<b>Liabilities</b>				
Current:				
Accounts Payable	57,070	21,452	13,528	92,050
Accrued Wages Payable	19,097	8,074	5,382	32,553
Intergovernmental Payable	56,812	28,156	15,697	100,665
Accrued Interest Payable	8,935	59,394	362	68,691
Interfund Payable	143,311	137,028	24,488	304,827
Customer Deposits Payable	185,508	0	0	185,508
OPWC Loans Payable	36,490	3,032	0	39,522
OWDA Loans Payable	76,164	123,587	0	199,751
Notes Payable	12,589	0	16,627	29,216
Revenue Bonds Payable	71,429	46,000	0	117,429
Compensated Absences Payable	22,689	1,118	4,332	28,139
<i>Total Current Liabilities</i>	<u>690,094</u>	<u>427,841</u>	<u>80,416</u>	<u>1,198,351</u>
Long-Term:				
OPWC Loans Payable	275,967	37,900	0	313,867
OWDA Loans Payable	577,539	1,198,439	0	1,775,978
Notes Payable	61,433	0	50,148	111,581
Revenue Bonds Payable	142,857	2,320,000	0	2,462,857
Compensated Absences Payable	9,921	0	7,263	17,184
<i>Total Long-Term Liabilities</i>	<u>1,067,717</u>	<u>3,556,339</u>	<u>57,411</u>	<u>4,681,467</u>
<i>Total Liabilities</i>	<u>1,757,811</u>	<u>3,984,180</u>	<u>137,827</u>	<u>5,879,818</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	1,064,773	4,000,256	(16,275)	5,048,754
Unrestricted (Deficit)	(136,675)	(82,071)	(68,478)	(287,224)
<i>Total Net Assets</i>	<u>\$928,098</u>	<u>\$3,918,185</u>	<u>(\$84,753)</u>	<u>\$4,761,530</u>

See accompanying notes to the basic financial statements

**City of Wellston, Ohio**  
*Statement of Revenues, Expenses, and Changes in Fund Net Assets*  
*Enterprise Funds*  
*For the Year Ended December 31, 2006*

	Water	Sewer	Garbage	Total Enterprise Funds
<b>Operating Revenues</b>				
Charges for Services	\$1,249,644	\$989,271	\$306,682	\$2,545,597
Other	14,723	0	0	14,723
<i>Total Operating Revenues</i>	<u>1,264,367</u>	<u>989,271</u>	<u>306,682</u>	<u>2,560,320</u>
<b>Operating Expenses</b>				
Personal Services	453,062	192,272	134,740	780,074
Fringe Benefits	269,988	135,131	76,947	482,066
Contractual Services	137,004	208,235	76,845	422,084
Materials and Supplies	184,606	89,898	30,501	305,005
Depreciation	72,833	272,587	20,200	365,620
<i>Total Operating Expenses</i>	<u>1,117,493</u>	<u>898,123</u>	<u>339,233</u>	<u>2,354,849</u>
<i>Operating Income (Loss)</i>	<u>146,874</u>	<u>91,148</u>	<u>(32,551)</u>	<u>205,471</u>
<b>Non-Operating Revenues (Expenses)</b>				
Interest Income	259	0	0	259
Interest and Fiscal Charges	(27,515)	(153,881)	(2,368)	(183,764)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(27,256)</u>	<u>(153,881)</u>	<u>(2,368)</u>	<u>(183,505)</u>
<i>Income (Loss) Before Transfers</i>	119,618	(62,733)	(34,919)	21,966
Capital Contributions from Other Funds	0	29,500	0	29,500
Transfers In	0	17,198	67,841	85,039
<i>Change in Net Assets</i>	119,618	(16,035)	32,922	136,505
<i>Net Assets (Deficit) Beginning of Year</i>	<u>808,480</u>	<u>3,934,220</u>	<u>(117,675)</u>	<u>4,625,025</u>
<i>Net Assets (Deficit) End of Year</i>	<u>\$928,098</u>	<u>\$3,918,185</u>	<u>(\$84,753)</u>	<u>\$4,761,530</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, 2006

	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	\$1,216,110	\$930,244	\$306,233	\$2,452,587
Other Cash Receipts	14,723	0	0	14,723
Cash Payments for Employee Services and Benefits	(739,419)	(338,559)	(213,464)	(1,291,442)
Cash Payments for Goods and Services	(309,625)	(301,398)	(111,707)	(722,730)
Utility Deposits Received	7,000	0	0	7,000
Utility Deposits Returned	(25,991)	0	0	(25,991)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>162,798</u>	<u>290,287</u>	<u>(18,938)</u>	<u>434,147</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers In	0	17,198	67,841	85,039
Advances In	143,311	137,028	24,488	304,827
Advances Out	(44,218)	(33,865)	(54,841)	(132,924)
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>99,093</u>	<u>120,361</u>	<u>37,488</u>	<u>256,942</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Payments for Capital Acquisitions	(57,552)	(24,505)	0	(82,057)
Principal Paid on Revenue Bonds	(71,428)	(31,000)	0	(102,428)
Principal Paid on General Obligation Bonds	0	(13,000)	0	(13,000)
Principal Paid on Other Loans	(12,219)	(61,471)	(16,095)	(89,785)
Principal Paid on OWDA Loans	(74,670)	(120,922)	0	(195,592)
Principal Paid on OPWC Loans	(36,492)	(3,032)	0	(39,524)
Interest Paid on Revenue Bonds	(11,715)	(86,050)	0	(97,765)
Interest Paid on General Obligation Bonds	0	(34,350)	0	(34,350)
Interest Paid on Other Loans	(2,497)	(4,825)	(2,455)	(9,777)
Interest Paid on OWDA Loans	(14,568)	(31,493)	0	(46,061)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(281,141)</u>	<u>(410,648)</u>	<u>(18,550)</u>	<u>(710,339)</u>
<b>Cash Flows from Investing Activities</b>				
Interest Income	259	0	0	259
<i>Net Decrease in Cash and Cash Equivalents</i>	(18,991)	0	0	(18,991)
<i>Cash and Cash Equivalents Beginning of Year</i>	204,499	0	0	204,499
<i>Cash and Cash Equivalents End of Year</i>	<u>\$185,508</u>	<u>\$0</u>	<u>\$0</u>	<u>\$185,508</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>				
Operating Income (Loss)	\$146,874	\$91,148	(\$32,551)	\$205,471
Adjustments:				
Depreciation	72,833	272,587	20,200	365,620
Changes in Assets and Liabilities:				
Increase in Accounts Receivable	(33,534)	(59,027)	(449)	(93,010)
(Increase) Decrease in Prepaid Items	(1,482)	975	(90)	(597)
Increase (Decrease) in Accounts Payable	15,288	638	(3,577)	12,349
Decrease in Accrued Wages Payable	(1,163)	(2,325)	(615)	(4,103)
Increase (Decrease) in Compensated Absences Payable	(4,026)	(279)	1,966	(2,339)
Decrease in Customer Deposits Payable	(18,991)	0	0	(18,991)
Decrease in Intergovernmental Payable	(13,001)	(13,430)	(3,822)	(30,253)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$162,798</u>	<u>\$290,287</u>	<u>(\$18,938)</u>	<u>\$434,147</u>

**Noncash Transactions:**

Non-Cash Transactions:

During 2006, the County Sales Tax Special Revenue Fund acquired \$19,000 in capital assets for the Sewer Enterprise Fund, and the UDAG Special Revenue Fund acquired \$10,500 in capital assets for the Sewer Enterprise Fund.

See accompanying notes to the basic financial statements

**City of Wellston, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*December 31, 2006*

**Assets**

Equity in Pooled Cash and Cash Equivalents	<u><u>\$20,578</u></u>
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**Liabilities**

Due to Others	<u><u>\$20,578</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, 2006*

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

**Reporting Entity**

The financial reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the City are not misleading. Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units 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. No potential component units met these criteria.

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 and economic 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.

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

The financial statements of the City of Wellston have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise funds unless those pronouncements conflict with or contradict GASB pronouncements. The City has elected not to apply FASB statements and interpretations issued after November 30, 1989, to its business-type activities and enterprise funds. The more significant of the City's accounting policies are described below.

**A. Basis of Presentation**

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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

Government-wide Financial Statements

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

The statement of net assets presents the financial condition of the governmental and business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. The policy of the City is to not allocate indirect expenses to functions in the statement of activities. 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 all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Housing Improvement Fund - The Housing Improvement Special Revenue Fund is used to account

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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for a State grant received by the City to be used to provide grants to low-income residents for home improvements.

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 Ohio Revised Code, 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 assets, 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 of 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 of 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 of the City.

Fiduciary funds

Fiduciary fund reporting focuses on net assets and changes in net assets. 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 associated with the operation of the City are included on the statement of net assets. The statement of activities accounts for increases (i.e. revenues) and decreases (i.e. expenditures) in total net assets.

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

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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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 assets. The statement of changes in revenues, expenses, and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. 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 the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, 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.

#### Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of December 31, 2006, but which were levied to finance year 2007 operations have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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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.

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, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents."

During 2006, investments were limited to certificates of deposit, which are reported at cost.

Provisions of the Ohio Revised Code restrict investment procedures. Under existing Ohio statutes all investment earnings are assigned to the General fund unless statutorily required to be required to be credited to a specific fund. During 2006, interest was distributed to the General Fund and to the Cemetery, CDBG Revolving Loan and UDAG Revolving Loan Special Revenue Funds. Interest revenue credited to the General Fund during 2006 amounted to \$113,484, which includes \$113,468 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

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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Receivables and payables to be recorded on the City's financial statements are recorded to the extent that the amounts are determined material and 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. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2006, are recorded as prepaid items using the consumption method recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

I. Interfund Balances

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 assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

J. 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.

K. 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 assets 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 assets and in the funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City has elected not to retroactively report governmental activities' infrastructure. Donated fixed 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 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:

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
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

L. 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.

For governmental and proprietary funds, 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.

M. 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.

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 bonds and long-term notes as a liability in the governmental fund financial statements when due.

On the governmental fund financial statements, sick leave benefits are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee retirements. These amounts are reported as "matured compensated absences payable" in the fund from which the employees who will receive the payment are paid.

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

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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<u>Obligation</u>	<u>Fund</u>
Compensated Absences	The fund from which the employee's salary is paid.
Vehicle Loans	General Fund, Street Fund, Fire Levy Fund, Garbage Fund Sewer Fund
Revenue Bonds	Water Fund and 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

**N. Fund Balance Reserves**

The City reserves those portions of fund balance which are legally segregated for specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for an endowment.

**O. Net Assets**

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

The government-wide statement of net assets reports \$4,335,908 of restricted net assets, none of which is restricted by enabling legislation.

Net assets restricted for other purposes include activities related to parks and recreation, cemetery services, and health services.

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

**P. Contributions of Capital**

Contributions of capital in the proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from outside contributions of resources to capital acquisition or construction.

**Q. Interfund Transactions**

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

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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them are not presented on the fund financial statements.

R. Estimates

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

S. 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.

T. 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. The City had no extraordinary items or special items during the audit period.

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended December 31, 2006, the City GASB Statement No. 47, "Accounting for Termination Benefits."

GASB Statement No. 47 establishes accounting standards for termination benefits. The implementation of this statement had no effect on the financial statements as reported at December 31, 2006.

NOTE 4 – FUND DEFICITS

The following funds had deficit fund balances/net assets as of December 31, 2006:

<u>Fund Type/Fund</u>	
<u>Special Revenue:</u>	
Cemetery	\$151,740
Recreation	2,483
Swimming Pool	1,045
<u>Enterprise:</u>	
Garbage	84,753

NOTE 5 - 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 Statement 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.

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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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. Fair market value adjustments and prepaid items are reported on the balance sheet (GAAP basis), but not on the budgetary basis.

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

	General Fund	Housing Improvement Fund
GAAP Basis	(\$24,966)	(\$67,851)
Net Adjustment for Revenue Accruals	(161,290)	(5,158)
Net Adjustment for Expenditure Accruals	5,234	0
Prepaid Items Beginning of Year	7,421	0
Prepaid Items End of Year	(11,513)	0
Budget Basis	(\$185,114)	(\$73,009)

**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio).

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Historically, the City has not purchased these types of investments or issued these types of notes. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

### 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 \$3,259,279 and the bank balance was \$3,282,151. Of the bank

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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balance, \$315,286 was covered by Federal depository insurance and \$2,966,865 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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.

**NOTE 7 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. The last revaluation was completed in 1999. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by July 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value; public utility real property is assessed at 35 percent of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2004. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax is being phased out – the assessment percentage for property, including inventory, is 18.75% for 2006. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008, and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to phasing out of the tax. In calendar years 2006-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The County Treasurer collects property taxes on behalf of Jackson County, including the City of Wellston. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2006 was \$8.20 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2006 property tax receipts were based are as follows:

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Real Property	\$43,796,220
Public Utility Real and Tangible Personal Property	21,342,590
Tangible Personal Property	13,501,091
Total Assessed Value	\$78,639,901

**NOTE 8 - 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.

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 2006, all proceeds were receipted into the General Fund.

**NOTE 9 - RECEIVABLES**

Receivables at December 31, 2006, consisted primarily of taxes; intergovernmental receivables arising from grants, loans, 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 \$239,136 for principal owed to the City for CDBG and UDAG revolving loan monies loaned to businesses for improvement and expansion efforts. The amount not scheduled for collection during the subsequent year is \$186,840.

A summary of intergovernmental receivables follows:

<b><u>Governmental Activities:</u></b>	
Local Government Subsidies	\$42,510
Gasoline Tax	83,175
Motor Vehicle License Tax	24,151
CHIP Grant	500,000
Total Governmental Activities	\$649,836

**NOTE 10 - CAPITALASSETS**

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Capital asset activity for the year ended December 31, 2006, was as follows:

	Balance 12/31/2005	Additions	Reductions	Balance 12/31/2006
<b><u>Governmental Activities:</u></b>				
Non-Depreciable Capital Assets:				
Land	\$103,550	\$0	\$0	\$103,550
Total Non-Depreciable Capital Assets	103,550	0	0	103,550
Depreciable Capital Assets:				
Buildings and Improvements	972,001	21,600	0	993,601
Equipment	181,151	0	0	181,151
Infrastructure	408,398	14,425	0	422,823
Vehicles	1,415,693	21,134	0	1,436,827
Total Depreciable Capital Assets	2,977,243	57,159	0	3,034,402
Accumulated Depreciation:				
Buildings and Improvements	(361,625)	(22,458)	0	(384,083)
Equipment	(125,674)	(5,539)	0	(131,213)
Infrastructure	(26,744)	(27,708)	0	(54,452)
Vehicles	(497,693)	(59,320)	0	(557,013)
Total Accumulated Depreciation	(1,011,736)	(115,025) *	0	(1,126,761)
Total Depreciable Capital Assets, Net	1,965,507	(57,866)	0	1,907,641
Governmental Activities Capital Assets, Net	\$2,069,057	(\$57,866)	\$0	\$2,011,191

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

<b><u>Governmental Activities:</u></b>	
Security of Persons and Property	\$51,737
Transportation	39,548
Leisure Time Activities	350
Public Health Services	2,567
Community Environment	20,823
Total Depreciation Expense	\$115,025

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	Balance 12/31/2005	Additions	Reductions	Balance 12/31/2006
<b><u>Business - Type Activities:</u></b>				
Non Depreciable Capital Assets:				
Construction in Progress	\$35,900	\$11,600	(\$47,500)	\$0
Total Non Depreciable Capital Assets	<u>35,900</u>	<u>11,600</u>	<u>(47,500)</u>	<u>0</u>
Depreciable Capital Assets:				
Buildings and Improvements	9,953,004	20,752	0	9,973,756
Equipment	301,685	55,900	0	357,585
Infrastructure	3,703,668	70,805	0	3,774,473
Vehicles	589,269	0	0	589,269
Total Depreciable Capital Assets	<u>14,547,626</u>	<u>147,457</u>	<u>0</u>	<u>14,695,083</u>
Accumulated Depreciation:				
Buildings and Improvements	(2,951,002)	(249,083)	0	(3,200,085)
Equipment	(177,275)	(17,476)	0	(194,751)
Infrastructure	(715,498)	(52,318)	0	(767,816)
Vehicles	(386,733)	(46,743)	0	(433,476)
Total Accumulated Depreciation	<u>(4,230,508)</u>	<u>(365,620)</u>	<u>0</u>	<u>(4,596,128)</u>
Total Depreciable Capital Assets, Net	<u>10,317,118</u>	<u>(218,163)</u>	<u>0</u>	<u>10,098,955</u>
Business - Type Activities Capital Assets, Net	<u>\$10,353,018</u>	<u>(\$206,563)</u>	<u>(\$47,500)</u>	<u>\$10,098,955</u>

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

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 that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment 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 writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement or

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public safety participating in the traditional plan, were required to contribute 9 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The employer contribution rate for pension benefits for 2006 was 9.2 percent, except for those plan members in law enforcement or public safety. For those classifications, the employer's pension contributions were 12.43 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$128,002, \$184,080, and \$124,918, respectively; 69.14 percent has been contributed for 2006 and 100 percent for 2005 and 2004. Contributions to the member-directed plan for 2006 were \$4,823 made by the City and \$3,168 made by the plan members.

**B. Police and Firemen's Disability and Pension Fund**

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension benefits while the employer is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's contributions to OP&F for police and firefighters were \$47,125 and \$20,479 for the year ended December 31, 2006; \$62,793 and \$25,235 for the year ended December 31, 2005, and \$25,058 and \$17,287 for the year ended December 31, 2004. 66.09 percent has been contributed for police, and 68.25 for fire, for 2006. The full amount has been contributed for 2005 and 2004.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System (OPERS)**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll (16.93 percent for public safety and law enforcement); 4.5 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from

**City of Wellston, Ohio**  
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5 to 6 percent annually for the next nine years and 4 percent annually after nine years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,214. Actual City contributions for 2006 which were used to fund postemployment benefits were \$62,610. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) was \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006 and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

**B. Police and Firemen's Disability and Pension Fund**

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2006 and 2005. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2006 that were used to fund postemployment benefits were \$31,083 for police and \$19,767 for firefighters. The OP&F's total health care expense for the year ended December 31, 2005, (the latest information available) was \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 13,922 for police and 10,537 for firefighters

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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 \$75,000 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 Anthem Blue Cross and Blue Shield. The total monthly premium for single coverage is \$398.48; for an employee with one child coverage is \$672.65; for an employee and spouse coverage is \$875.88; and for family coverage is \$1,230.12. The City pays 100 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 seven 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 14 - 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:

<u>Type of Coverage</u>	<u>Limit</u>	<u>Aggregate Limit</u>
General Liability	\$1,000,000 Per Occurrence	\$1,000,000
Public Officials Liability	\$1,000,000 Per Occurrence	\$1,000,000
Auto Liability	\$1,000,000 Per Occurrence	
Law Enforcement Professional Liability	\$1,000,000 Per Occurrence	\$1,000,000
Employee Dishonesty	\$1,000,000 Per Occurrence	\$1,000,000
Property Damage	\$24,858,585	

For 2006, 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.

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**NOTE 15 - LONG-TERM OBLIGATIONS**

Changes in the City's long-term obligations during 2006 consist of the following:

	Outstanding 12/31/2005	Additions	Reductions	Outstanding 12/31/2006	Amounts Due Within One Year
<b><u>Governmental Activities:</u></b>					
Police Cruisers Loan - 2004 - \$60,037 - 3.25%	\$20,496	\$0	\$20,496	\$0	\$0
Fire Trucks Loan - 2001 - \$221,000 - 6.04%	187,746	0	8,263	179,483	9,084
Street Sweeper Loan - 2004 - \$102,561 - 3.4%	69,505	0	0	69,505	16,516
Fire Trucks Loan - 2004 - \$413,052 - 3%	301,947	0	0	301,947	57,028
Jackson County Commissioners CDBG Loan - 2003 - \$50,000 - 0%	40,000	0	3,333	36,667	3,333
Total Loans	619,694	0	32,092	587,602	85,961
Compensated Absences	49,042	11,254	5,200	55,096	26,676
Total Governmental Activities	<u>\$668,736</u>	<u>\$11,254</u>	<u>\$37,292</u>	<u>\$642,698</u>	<u>\$112,637</u>
<b><u>Business-Type Activities:</u></b>					
<b><u>General Obligation Bonds</u></b>					
Sewer Farmers Home Administration - 1993 - 5.00%	\$688,000	\$0	\$13,000	\$675,000	\$13,000
<b><u>Revenue Bonds</u></b>					
Water System Improvement - 2002 - 4.10%	285,714	0	71,428	214,286	71,429
Sewer Farmers Home Administration - 1993 - 5.00%	1,722,000	0	31,000	1,691,000	33,000
Total Revenue Bonds Payable	<u>2,007,714</u>	<u>0</u>	<u>102,428</u>	<u>1,905,286</u>	<u>104,429</u>
<b><u>OPWC Loans</u></b>					
Water Line Improvements - 1996 - 0.00%	325,000	0	32,500	292,500	32,500
Water System Rennovations - 1992 - 0.00%	23,949	0	3,992	19,957	3,990
Green Acres Sewer Line - 2000 - 0.00%	43,964	0	3,032	40,932	3,032
Total OPWC Loans Payable	<u>392,913</u>	<u>0</u>	<u>39,524</u>	<u>353,389</u>	<u>39,522</u>
<b><u>OWDA Loans</u></b>					
Water Line Improvement - 1995 - 2.00%	728,373	0	74,670	653,703	76,164
Sewer Fund - 1996 - 2.20%	538,710	0	46,140	492,570	47,161
Sewer Fund - 2001 - 2.20%	904,238	0	74,782	829,456	76,426
Total OWDA Loans Payable	<u>2,171,321</u>	<u>0</u>	<u>195,592</u>	<u>1,975,729</u>	<u>199,751</u>
<b><u>Other Loans</u></b>					
WSOS Community Action Safe Water - 2002 - 3.00%	86,241	0	12,219	74,022	12,589
Sewer Vactor Manufacturing - 2003 - 5.19%	61,471	0	61,471	0	0
Garbage Truck First National Wellston - 2004 - 3.25%	82,870	0	16,095	66,775	16,627
Total Other Loans Payable	<u>230,582</u>	<u>0</u>	<u>89,785</u>	<u>140,797</u>	<u>29,216</u>
Compensated Absences Payable	46,506	8,125	9,308	45,323	28,139
Total Business-Type Activities	<u>\$5,537,036</u>	<u>\$8,125</u>	<u>\$449,637</u>	<u>\$5,095,524</u>	<u>\$414,057</u>

**Governmental Activities:**

The police cruisers loan was issued on February 9, 2004, for \$60,037 and was paid off on November 11,

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2006, from the General Fund. The fire trucks loan was issued on January 14, 2004, for \$413,052, and matures on November 11, 2010. This obligation will be paid from the General Fund. The fire truck loan issued in 2001 for \$221,000 matures in 2020 and will be paid from the Fire Levy Special Revenue Fund.

The Street Sweeper Loan was issued in 2004 for \$102,561 and matures in 2009. The loan will be paid from the Street Construction, Maintenance, and Repair 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.

The annual requirements to retire all governmental loans outstanding as of December 31, 2006, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2007	\$85,961	\$20,376
2008	88,699	17,640
2009	91,510	14,827
2010	94,459	11,879
2011	77,802	8,850
2012-2016	81,237	25,624
2017-2020	67,934	7,556
	<u>\$587,602</u>	<u>\$106,752</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, 2006 are:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2007	\$13,000	\$33,750
2008	14,000	33,100
2009	15,000	32,400
2010	15,000	31,650
2011	16,000	30,900
2012-2016	93,000	141,550
2017-2021	119,000	115,950
2022-2026	151,000	83,150
2027-2031	194,000	41,300
2032	45,000	2,250
	<u>\$675,000</u>	<u>\$546,000</u>

***Revenue Bonds***

The 2002, \$500,000 Water Fund Revenue Bonds were issued for the purchase and installation of water meters. Repayments will be made from user fees. The final bond matures in 2009. The City issued

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\$2,000,000 in Sewer Fund Revenue Bonds in 1993 for improvements to the City's sewer system. The bonds will mature in 2032.

Principal and interest requirements to retire the City's revenue bonds outstanding at December 31, 2006 are:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2007	\$104,429	\$93,336
2008	106,428	88,757
2009	107,429	84,079
2010	38,000	79,350
2011	40,000	77,450
2012-2016	233,000	355,100
2017-2021	297,000	290,650
2022-2026	381,000	208,550
2027-2031	486,000	103,300
2032	112,000	5,600
	<u>\$1,905,286</u>	<u>\$1,386,172</u>

***OPWC Loans***

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

An OPWC loan was issued 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, 2006 are:

<u>Year</u>	<u>Principal</u>
2007	\$39,522
2008	39,524
2009	39,524
2010	39,524
2011	39,523
2012-2016	145,160
2017-2020	10,612
Total	<u>\$353,389</u>

***OWDA Loans***

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

OWDA loans were issued 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 will be paid off in 2011 and 2016, respectively.

Principal and interest requirements to retire the City's enterprise OWDA loans outstanding at December 31, 2006 are as follow:

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<u>Year</u>	<u>OWDA</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$199,751	\$41,900
2008	204,000	37,651
2009	208,338	33,315
2010	212,773	28,878
2011	217,304	24,347
2012-2016	933,563	48,617
Total	<u>\$1,975,729</u>	<u>\$214,708</u>

***Other Loans***

The City borrowed \$126,250 from the WSOS Community Action Commission's Safe Water Loan program. Proceeds were used to increase the capacity of the City's Cherrington Hill water storage tank. Repayments will be made from user fees. The loan will be repaid by 2012.

In 2003, the City obtained a loan for \$117,026 for the purchase of a Vactor Sewer Cleaner. The loan was paid off in 2006 from user fees.

The garbage truck loan was issued in 2004 for \$101,000 and matures in 2010. Payments will be made from the Garbage Fund. Repayment will be made through user fees.

Principal and interest requirements to retire the City's other loans outstanding at December 31, 2006 were:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2007	\$29,216	\$4,051
2008	30,144	3,123
2009	31,103	2,164
2010	28,996	1,179
2011	14,181	535
2012	7,157	107
Total	<u>\$140,797</u>	<u>\$11,159</u>

As of December 31, 2006, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$7,602,813.

**NOTE 16 - CONTINGENT LIABILITIES**

**A. Litigation**

The City is of the opinion that ultimate disposition of claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

**B. Federal and State Grants**

For the period January 1, 2006 to December 31, 2006, 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.

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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**NOTE 17 - INTERFUND TRANSACTIONS**

**A. Interfund Balances**

Interfund Receivable and Interfund Payable balances at December 31, 2006, consist of the following:

<u>Interfund Receivables and Payables</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$452,634	\$451,798
 <u>Special Revenue Funds:</u>		
Street	0	11,587
Cemetery	0	136,220
Total Special Revenue Funds	0	147,807
 Permanent Investment Capital Improvement Fund	 451,798	 0
 <u>Enterprise Funds:</u>		
Water	0	143,311
Sewer	0	137,028
Garbage	0	24,488
Total Enterprise Funds	0	304,827
 Total	 <u>\$904,432</u>	 <u>\$904,432</u>

The advances from the General Fund to Special Revenue and Enterprise Funds are due to negative cash balances at year end. The General Fund did not have enough cash at year end to cover all negative cash balances, so an advance was made to the General Fund from the Permanent Investment Capital Projects Fund.

**B. Transfers**

Transfers during 2006 consisted of the following:

	<u>Transfer to</u>			<u>Totals</u>
	<u>Major Fund</u>		<u>Other Nonmajor Governmental</u>	
<u>Transfer from</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Governmental</u>	
Major Fund:				
General Fund	\$17,198	\$67,841	\$77,024	\$162,063
Other Nonmajor				
Governmental		0	78,000	78,000
Total	<u>\$17,198</u>	<u>\$67,841</u>	<u>\$155,024</u>	<u>\$240,063</u>

The transfers from the General Fund were to use unrestricted revenue to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfers from other nonmajor governmental funds represent transfers of interest from permanent funds to operating funds.

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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**NOTE 18 – RELATED PARTY TRANSACTIONS**

During 2006 the City acquired various products and services from Woolum's Business Products and Clark's Garage for a total of \$781 and \$57,246 respectively. These local businesses were owned by Council Members, Keith Woolum and Tom Clark, respectively.

Patrick West, Downtown Revitalization Director, acquired a loan through the City's revolving loan program in the amount of \$15,000 for his personal business. The loan was granted for a seven year term at an interest rate of 3.25%.

The current City Auditor, Brad Benson is currently receiving \$2,750 per month for 18 months as well as a lump sum payment of \$25,000 for a total of \$74,500 to settle a lawsuit with the City of Wellston.

**NOTE 19 – COMPLIANCE**

The UDAG Revolving Loan Program, County Sales Tax, Street Levy, Railroad Depot, Housing Preservation, Police Department Special Programs, Drug Enforcement & Education, Water, Sewer and Garbage funds had negative cash balances at December 31, 2006, contrary to Section 5705.10 ORC.

Estimated receipts exceeded actual receipts in the General, Fire, Recreation, Street Levy, Pool, Sewer, Water, and Garbage at December 31, 2006 causing actual resources to fall below the level of appropriation Section 5705.36 (A) (2).

The Fire, Cemetery, Downtown Business, UDAG Revolving Loan, Street Levy, DARE, Housing Preservation, Police Department Special Programs, Fire Department Special Programs, Drug Education & Enforcement, Water, Sewer respectively contrary to Section 5705.39.

The General, Street, Cemetery, McNally, North Water Capital Improvement, Water Meter Deposit, Sewer, Garbage respectively contrary to Section 5705.41(B).

38% of the expenditures tested were not properly certified contrary to Section 5705.41(D).

The Utility Department did not deposit utility receipts on the next business day following the day of receipt with the City Treasurer for 12% of the utility batch receipts tested and the City does not have a policy to permit their officials to hold money contrary to Section 9.38.

**NOTE 20 - GOING CONCERN**

The accompanying basic financial statements have been prepared in accordance with GAAP, which requires an assessment of the City's ability to continue as a going concern. The City has sustained a poor financial condition over the last several years in the general fund and negative fund balances were noted in the Cemetery Fund of (\$151,740) and the Garbage Fund (\$84,753). Continued operations are dependent upon the City's ability to meet financing requirements and current obligations.

Management currently has not presented a plan for the City to continue as a going concern.

# Caudill & Associates, CPA's

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Ohio Society of Certified Public Accountants  
Kentucky Society of Certified Public Accountants

## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

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

To the members of City Council:

We have audited the financial statements of the government 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, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 31, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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

We consider the following deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting: 2006-007 and 2006-008.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed six instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2006-001 through 2006-006.

We did note certain matters that we reported to the City's management in a separate letter dated July 31, 2007.

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

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

*Caudill & Associates, CPAs*

Caudill & Associates, CPA's  
July 31, 2007

**CITY OF WELLSTON  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b></p>
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**FINDING NUMBER 2006-001**

**Noncompliance Citation**

Ohio Rev. Code Section 9.38 requires, in part, that a person who is a public official other than a state officer, employee, or agent shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars.

A government employee other than the fiscal officer collecting funds and issuing a receipt must deposit the funds with the government's fiscal officer on the business day following the day of receipt. As an alternative to depositing funds with the government's fiscal officer, the employee instead may deposit funds with the government's designated depository on the business day following the day of receipt.

If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the public office is governed by a legislative authority (counties, municipalities, townships, and school districts), only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day.

The Utility Department did not deposit utility receipts on the next business day following the day of receipt with the City Treasurer for twelve percent of the utility batch receipts tested and the City does not have a policy to permit their officials to hold money as indicated above.

We recommend the Utility Department deposit receipts with the City Treasurer by the next business day. Alternatively, if the amount of the daily collection does not exceed \$1,000, City Council could adopt a policy allowing departments to deposit receipts with the City Treasurer within three business days as long as the receipts can be safeguarded.

**City Response:**

City Official's are working to correcting this issue.

**CITY OF WELLSTON  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES**

**FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
--

**FINDING NUMBER 2006-002**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.10 states money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The City had negative fund cash balances at December 31, 2006 as follows:

<u>Fund Type/Fund</u>	<u>Deficit</u>
<u>Special Revenue:</u>	
UDAG Revolving Loan Program	\$ (9,595)
County Sales Tax	(43,617)
Street Levy	(15,992)
Railroad Depot	(1,963)
Housing Preservation	(73,009)
Police Department Special Programs	(700)
Drug Enforcement & Education	(20,650)
 <u>Enterprise:</u>	
Water	(118,077)
Sewer	(103,135)
Garbage	(37,476)

We recommend the City monitor fund balances closely and if needed, transfer funds from the General Fund to eliminate negative balances. The City should refer to Auditor of State Bulletin 97-003 for guidance when considering inter-fund cash advances. Further, we recommend the City limit spending to only essential purchases in funds experiencing cash flow problems

**City Response:**

City officials will monitor fund balances more closely.

**CITY OF WELLSTON  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES**

**FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2006-003**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.36 (A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Rev. Code Section 5705.36 (A)(3) provides that an increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. Ohio Rev. Code Section 5705.36 (A)(4) provides that a reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation

Estimated receipts exceeded actual receipts in several funds at December 31, 2006 causing actual resources to fall below the level of appropriation as follows:

Fund	Actual Resources	Appropriations	Variance
General	1,894,810	1,904,253	(9,443)
<u>Special Revenue:</u>			
Fire	334,078	391,132	(57,054)
Recreation	56,881	59,381	(2,500)
Street Levy	211,085	335,943	(124,858)
Pool	9,452	38,090	(28,638)
<u>Enterprise:</u>			
Sewer	428,962	775,306	(346,344)
Water	1,078,493	1,322,166	(243,673)
Garbage	319,244	328,242	(8,998)

**CITY OF WELLSTON  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b></p>
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**FINDING NUMBER 2006-003 (Continued)**

This could allow deficit spending to occur, as indicated in Finding Number 2006-002.

We recommend the City Auditor obtain a reduced certificate of estimated resources when it is determined that estimated receipts will be less than the actual receipts causing resources to fall below the level of appropriations.

**City Response:**

City officials will monitor budgetary compliance more closely.

**FINDING NUMBER 2006-004**

**Noncompliance Citation**

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

Appropriations exceeded estimated resources for the year ended December 31, 2006 as follows:

**CITY OF WELLSTON  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES**

**FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2006-004 (Continued)**

Fund	Estimated Resources	Appropriations	Variance
<u>Special Revenue:</u>			
Fire	390,000	391,133	(1,133)
Cemetery	72,930	143,359	(70,429)
Downtown Business	54,982	200,450	(145,468)
UDAG Revolving Loan	359,258	376,686	(17,428)
Street Levy	9,452	38,090	(28,638)
Dare	81	3,359	(3,278)
Housing Preservation	172,993	241,998	(69,005)
Police Dept Special Programs	-	700	(700)
Fire Dept Special Programs	-	13,640	(13,640)
Drug Education & Enforcement	-	81,428	(81,428)
<u>Enterprise:</u>			
Water	1,223,975	1,322,166	(98,191)
Sewer	521,502	775,306	(253,804)

This could allow deficit spending to occur, as indicated in Finding Number 2006-002.

We recommend the City Auditor ensure that appropriations do not exceed estimated resources prior to filing the appropriation measure with the County Auditor.

**City Response:**

City officials will monitor budgetary compliance more closely.

**CITY OF WELLSTON  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES**

**FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2006-005**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been appropriated.

Expenditures exceeded appropriations at December 31, 2005 in the following funds at the fund level:

Fund	Appropriations	Actual Expenditures	Variance
General	\$1,904,253	\$1,911,860	(\$7,607)
<u>Special Revenue:</u>			
Street	286,235	303,184	(16,949)
Cemetery	143,359	177,694	(34,335)
McNally Enterprise	96,550	142,825	(46,275)
North Water Capital Improvement	0	24,743	(24,743)
Water Meter Deposit	21,000	25,991	(4,991)
Sewer	775,306	875,441	(100,135)
Garbage	328,242	343,720	(15,478)

Additionally, expenditures exceeded appropriations at the legal level of control for several line items. This could result in deficit spending, as indicated in Finding Number 2006-002.

**CITY OF WELLSTON  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES**

**FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b></p>
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**FINDING NUMBER 2006-005 (Continued)**

We recommend the City Auditor not certify the availability of funds and deny payment requests exceeding appropriations. The Auditor may request Council to approve increased disbursement levels by increasing appropriations and amending estimated resources, if necessary.

**City Response:**

City officials will monitor budgetary compliance more closely.

**FINDING NUMBER 2006-006**

Ohio Rev. Code Section 5705.41 (D)(1) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer attached that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by Ohio Rev. Code Section 5705.41 (D)(1):

Then and Now Certificate: If the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of the "then and now" certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, or less than \$3,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

38% of the expenditures tested were not properly certified.

**CITY OF WELLSTON  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES**

**FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b></p>
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**FINDING NUMBER 2006-006 (Continued)**

We recommend the City implement policies to ensure that all purchases first have monies certified by the City Auditor before purchasing or ordering an item. We also recommend the use of a “then and now” certificate in instances of emergency or absence of proper authority.

**City Response:**

City officials will monitor the proper certifying of expenditures more closely.

**FINDING NUMBER 2006-007**

**Significant Deficiency**

**Related Party Transactions**

Several Council members owned companies with which the City did business. Although these companies have been used by the City for several years, there was no documentation to support that other vendors were considered. This caused related party transactions to occur.

We recommend City Council consider other vendors, and maintain supporting documentation that indicates other vendors were considered. If the Council member’s company is used, that Council member should abstain from any vote made regarding the decision to do business with that company. City Council should consult with the City Law Director for guidance when potential conflict of interest issues arise.

**City Response:**

No Response from City Officials.

**CITY OF WELLSTON  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES**

**FOR THE YEAR ENDED DECEMBER 31, 2006  
(Continued)**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b></p>
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**FINDING NUMBER 2006-008**

**Significant Deficiency**

It was discovered in the prior audit testing that City workers were allowed by City management to use City Equipment for personal use.

By allowing City workers to use City equipment for personal use, the City is at risk for potential liability issues. Also, the issue of unethical activity is a problem along with the appearance of the misuse of public funds from the City's Constituents.

No written recommendation has been issued by City Council regarding this issue and the auditors received no written documentation that this issue has been resolved except through verbal inquiry from City Management indicating that this activity has ceased.

We recommend that City Council review this type of activity and issue a written policy to address this issue.

**City Response:**

This activity has ceased. However, no written policy or recommendation has been established by City Council.

**CITY OF WELLSTON  
JACKSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain:</b></i>
2005-001	Noncompliance of Ohio Rev. Code Section 9.38.	No	Not corrected. Repeated as Finding Number 2006 - 001
2005-002	Noncompliance of Ohio Rev. Code Section 5705.10	No	Not corrected. Repeated as Finding Number 2006 - 002
2005-003	Noncompliance of Ohio Rev. Code Section 5705.36 (A) (2)	No	Not corrected. Repeated as Finding Number 2006-003
2005-004	Noncompliance of Ohio Rev. Code Section 5705.39	No	Not corrected. Repeated as Finding Number 2006 - 004
2005-005	Noncompliance of Ohio Rev. Code Section 5705.41 (B)	No	Not corrected. Repeated as Finding Number 2006 - 005
2005-006	Noncompliance of Ohio Rev. Code Section 5705.41 (D)	No	Not corrected. Repeated as Finding Number 2006 - 006
2005-007	Related Party Transaction	No	Not corrected. Repeated as Finding Number 2006 - 007
2005-008	City Equipment	No	Not corrected. Repeated as Finding Number 2006 - 008





**Mary Taylor, CPA**  
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 15, 2007**