



**CITY OF WELLSTON, OHIO**

**REGULAR AUDIT**

**For the Year Ended December 31, 2016**

**J.L. UHRIG**  
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS







# Dave Yost • Auditor of State

Council Members  
City of Wellston  
20 East Broadway  
Wellston, Ohio 45692

We have reviewed the *Independent Auditor's Report* of the City of Wellston, Jackson County, prepared by J.L. Uhrig and Associates, Inc., for the audit period January 1, 2016 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

August 11, 2017

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**JACKSON COUNTY, OHIO**  
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## Independent Auditor's Report

City of Wellston  
Jackson County  
20 East Broadway  
Wellston, Ohio 45692

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Wellston, Jackson County, Ohio, (the City) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Wellston, Jackson County as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund, Fire Levy Fund and Street Fund thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis on pages 4-14 and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquires of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquires, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated June 23, 2017 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. 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 provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

***J. L. Uhrig and Associates, Inc.***

J. L. UHRIG AND ASSOCIATES, INC.  
Chillicothe, Ohio

June 23, 2017



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**City of Wellston, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*  
*Unaudited*

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The discussion and analysis of the City of Wellston's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2016. 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 2016 are as follows:

- The City's total net position increased by 4 percent, or \$661,130, from the total net position at the beginning of the year.
- At the end of the current year, the City's governmental activities reported total net position of \$7,502,153, an increase of \$453,090 from the prior year. Unrestricted net position was (\$147,348).
- At the end of the current year, the City's business-type activities reported total net position of \$9,632,932, an increase of \$208,040 from the prior year. Unrestricted net position was \$1,473,342.
- At the end of the current year, unassigned fund balance for the General Fund was \$951,376, which represents a 13.5 percent increase from the prior year.

**Using this Annual Financial Report**

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

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

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

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

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2016?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

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

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

***Fund Financial Statements***

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

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

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

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

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

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

**The City of Wellston as a Whole**

Recall that the Statement of Net Position looks at the City as a whole. Table 1 provides a summary of the City's net position for 2016 compared to 2015.

**City of Wellston, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*  
*Unaudited*

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

	Governmental Activities		Business-Type Activities		Total	
	2016	Restated 2015	2016	Restated 2015	2016	Restated 2015
<b>Assets</b>						
Current and Other Assets	\$6,288,141	\$6,144,752	\$2,823,151	\$2,608,122	\$9,111,292	\$8,752,874
Capital Assets	3,619,526	3,227,178	10,894,347	11,101,924	14,513,873	14,329,102
<i>Total Assets</i>	<u>9,907,667</u>	<u>9,371,930</u>	<u>13,717,498</u>	<u>13,710,046</u>	<u>23,625,165</u>	<u>23,081,976</u>
<b>Deferred Outflows of Resources</b>						
Pension	617,704	182,595	420,499	139,851	1,038,203	322,446
<b>Liabilities</b>						
Current and Other Liabilities	159,260	256,283	451,324	429,502	610,584	685,785
Long-term Liabilities:						0
Due Within One Year	116,154	106,073	183,126	284,786	299,280	390,859
Due in More than One Year:						0
Net Pension Liability	1,929,946	1,357,808	1,116,452	863,605	3,046,398	2,221,413
Other Amounts	294,732	262,923	2,675,721	2,831,940	2,970,453	3,094,863
<i>Total Liabilities</i>	<u>2,500,092</u>	<u>1,983,087</u>	<u>4,426,623</u>	<u>4,409,833</u>	<u>6,926,715</u>	<u>6,392,920</u>
<b>Deferred Inflows of Resources</b>						
Property Taxes	508,244	517,317	0	0	508,244	517,317
Pension	14,918	5,058	78,442	15,172	93,360	20,230
<i>Total Deferred Inflows of Resources</i>	<u>523,162</u>	<u>522,375</u>	<u>78,442</u>	<u>15,172</u>	<u>601,604</u>	<u>537,547</u>
<b>Net Position</b>						
Net Investment in Capital Assets	3,307,067	2,963,197	8,159,590	8,096,917	11,466,657	11,060,114
Restricted for:						
Street Construction	648,553	784,168	0	0	648,553	784,168
Police Protection	3,853	4,536	0	0	3,853	4,536
Fire Protection	105,387	156,946	0	0	105,387	156,946
Community Development	821,407	819,072	0	0	821,407	819,072
Recreation	1,482	0	0	0	1,482	0
Capital Projects	2,457,257	2,477,515	0	0	2,457,257	2,477,515
Cemetery	53,227	21,564	0	0	53,227	21,564
Cemetery Perpetual Care	251,268	251,268	0	0	251,268	251,268
Unrestricted	(147,348)	(429,203)	1,473,342	1,327,975	1,325,994	898,772
<i>Total Net Position</i>	<u>\$7,502,153</u>	<u>\$7,049,063</u>	<u>\$9,632,932</u>	<u>\$9,424,892</u>	<u>\$17,135,085</u>	<u>\$16,473,955</u>

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2016 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

**City of Wellston, Ohio**  
*Management's Discussion and Analysis*  
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Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 requires the net pension liability to equal the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

The significant increase in total deferred outflow of resources in 2016 was due to an increase in the difference between projected and actual earnings on investments related to the City's net pension liability for OPERS and OP&F. The net pension liability increase represents the City's proportionate share of the OPERS traditional and OP&F plans' unfunded benefits. As indicated above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability.

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

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

	Governmental Activities 2016	Business- Type Activities 2016	Total 2016	Governmental Activities 2015	Business- Type Activities 2015	Total 2015
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$294,109	\$3,048,355	\$3,342,464	\$179,718	\$3,191,161	\$3,370,879
Operating Grants and Contributions	903,557	0	903,557	598,968	0	598,968
Capital Grants and Contributions	270,431	0	270,431	162,140	0	162,140
<i>Total Program Revenues</i>	<u>1,468,097</u>	<u>3,048,355</u>	<u>4,516,452</u>	<u>940,826</u>	<u>3,191,161</u>	<u>4,131,987</u>
General Revenues:						
Property Taxes	592,196	0	592,196	572,702	0	572,702
Income Taxes	1,297,098	0	1,297,098	1,269,590	0	1,269,590
Grants and Entitlements	127,691	0	127,691	120,287	0	120,287
Investment Earnings	55,087	0	55,087	63,663	0	63,663
Miscellaneous	75,520	82,667	158,187	52,999	60,100	113,099
Total General Revenues	<u>2,147,592</u>	<u>82,667</u>	<u>2,230,259</u>	<u>2,079,241</u>	<u>60,100</u>	<u>2,139,341</u>
Total Revenues	<u>3,615,689</u>	<u>3,131,022</u>	<u>6,746,711</u>	<u>3,020,067</u>	<u>3,251,261</u>	<u>6,271,328</u>
<b>Program Expenses</b>						
General Government	758,450	0	758,450	772,828	0	772,828
Security of Persons and Property:						
Police	996,737	0	996,737	1,017,720	0	1,017,720
Fire	652,668	0	652,668	389,331	0	389,331
Transportation	555,601	0	555,601	337,354	0	337,354
Leisure Time Activities	26,635	0	26,635	295,939	0	295,939
Public Health Services	66,411	0	66,411	36,967	0	36,967
Community Environment	97,868	0	97,868	135,475	0	135,475
Interest and Fiscal Charges	8,229	0	8,229	7,889	0	7,889
Water	0	1,683,322	1,683,322	0	1,819,688	1,819,688
Sewer	0	921,182	921,182	0	980,717	980,717
Garbage	0	318,478	318,478	0	300,865	300,865
<i>Total Program Expenses</i>	<u>3,162,599</u>	<u>2,922,982</u>	<u>6,085,581</u>	<u>2,993,503</u>	<u>3,101,270</u>	<u>6,094,773</u>
Increase in Net Position	453,090	208,040	661,130	26,564	149,991	176,555
Net Position Beginning of Year (Restated)	7,049,063	9,424,892	16,473,955	7,022,499	9,274,901	16,297,400
Net Position End of Year	<u>\$7,502,153</u>	<u>\$9,632,932</u>	<u>\$17,135,085</u>	<u>\$7,049,063</u>	<u>\$9,424,892</u>	<u>\$16,473,955</u>

***Governmental Activities***

Operating grants and contributions accounted for 25 percent of total governmental revenues. Operating grants increased \$304,589, or 50.8 percent from 2015. This increase was primarily due to a grant received for a fire department burn building. Capital grants and contributions increased \$108,291, or 66.8 percent from 2015. This increase was primarily due to a recreation grant for the City's park. Property Tax revenue provided 16.4 percent of total governmental revenues, and 35.9 percent was generated from income taxes. Income taxes, property taxes, and unrestricted grants and entitlements combined together, provided 55.8 percent of the City's total governmental revenues.

The City received \$294,109, or 8.1 percent of total governmental revenues, in charges for services. This was an increase of \$114,391 from 2015, or 63.6 percent, which was primarily due to a new fire department training school and a police department impound lot. These direct charges to citizens include recreation fees, court fines and forfeitures, police security services, and licenses and permits.

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

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The City's security of persons and property, police, activities accounted for \$996,737, or 31.5 percent, of total expenses. This was a decrease from 2015 of \$20,983, or 2 percent, due to decreases in accrued liabilities.

General government activities accounted for \$758,450, or 24 percent, of total expenses. This was a decrease in expenses of \$14,378, or 1.9 percent, primarily due to tightened spending.

Community Environment activity accounted for \$97,868, or 3 percent, of total expenses. This was a decrease in expenditures of \$37,607, or 27.8 percent, due to a decrease in the purchase of supplies and materials.

Leisure Time Activities accounted for \$26,635, or .8 percent, of total expenses. Leisure Time Activities decreased \$269,304, or 91 percent, due to construction in progress.

Transportation accounted for \$555,601, or 17.6 percent, of total expenses. Transportation expenses increased \$218,247 from 2015, or 64.7 percent. This increase was primarily due to an increase in repair and maintenance expenditures.

Security of persons and property, fire, activities accounted for \$652,668, or 20.7 percent, of total expenses. These expenditures increased \$263,337, which was primarily due to the construction of a burn building and renovation of the fire department.

Public health activities accounted for \$66,411, or 2.1 percent, of total expenses. This is an increase of \$29,444, or 79.6 percent, primarily due to equipment purchases.

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



**City of Wellston, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*  
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**Table 3**  
**Program Expenses and Net Costs of Governmental Activities, by Program**  
**For the Year Ended December 31, 2016**

	Program Activity Expenses <u>2016</u>	Net Cost (Gain) of Program Activity <u>2016</u>	Program Activity Expenses <u>2015</u>	Net Cost (Gain) of Program Activity <u>2015</u>
General Government	\$758,450	\$446,661	\$772,828	\$622,125
Security of Persons and Property:				
Police	996,737	927,718	1,017,720	891,559
Fire	652,668	203,361	389,331	209,932
Transportation	555,601	240,679	337,354	54,819
Leisure Time Activities	26,635	(243,796)	295,939	132,315
Public Health Services	66,411	35,663	36,967	7,953
Community Environment	97,868	75,987	135,475	126,085
Interest and Fiscal Charges	8,229	8,229	7,889	7,889
<b>Totals</b>	<u><u>\$3,162,599</u></u>	<u><u>\$1,694,502</u></u>	<u><u>\$2,993,503</u></u>	<u><u>\$2,052,677</u></u>

***Business-Type Activities***

The City's business-type activities are for water, sewer, and garbage services. During 2016, program revenues exceeded expenses by \$125,373. Water fund expenses decreased from 2015 by \$136,366, or 7.5 percent, primarily due to a decrease in the purchase of supplies and capital outlay. Sewer fund expenses decreased from 2015 by \$59,535, or 6 percent, primarily due to depreciation expense. Garbage fund expenses increased from 2015 by \$17,613, or 5.8 percent, primarily due to an increase in repairs and maintenance expenses and office rent.

The minimum water rate is \$3 for the first one thousand gallons of water. Sewer fees are calculated on the amount of water used. The minimum sewer rate is \$3.71 per month. Garbage fees are assessed at a flat rate of a \$14.33 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, unassigned fund balance serves as a useful measure of the City's net resources available for spending at the end of the year.

***General Fund***

The General Fund is the primary operating fund of the City. At the end of 2016, fund balance was \$1,158,067. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund disbursements. Unassigned fund balance represents 61.1

**City of Wellston, Ohio**  
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percent of total General Fund disbursements, while total fund balance represents 74.4 percent of that same amount.

The fund balance of the City's General Fund increased by \$288,590.

***Other Major Governmental Funds***

The fund balance of the Fire Levy Special Revenue Fund at December 31, 2016, was \$30,162, a decrease of \$47,934, which was primarily due to fire department renovations.

The fund balance of the Street Fund at December 31, 2016, was \$304,669. At December 31, 2015, the fund balance of the Street Fund was \$450,075, a decrease of \$145,405. This was primarily due to the purchase of equipment and increased expenditures for repairs and maintenance.

The fund balance of the Permanent Investment Capital Projects Fund at December 31, 2016, was \$2,433,835, the same as the prior year. The balance represents the proceeds from the 1967 sale of the City's electric utility.

***Enterprise Funds***

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

The City's enterprise funds are the Water, Sewer, and Garbage Funds. The Water Fund's net position decreased \$15,938, primarily due to a decrease in charges for services revenue. The Sewer Fund's net position increased \$183,793, primarily due to a decrease in depreciation expense. The Garbage Fund's net position increased \$40,185. The increase in the Garbage Fund's net position was primarily due to revenues exceeding expenditures.

**General Fund Budgetary Highlights**

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

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

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of 2016, the City had \$14,513,873 invested in capital assets, net of accumulated depreciation. Table 4 shows fiscal year 2016 balances compared to 2015.

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

	Governmental Activities		Business-Type Activities		Totals	
	2016	Restated 2015	2016	Restated 2015	2016	Restated 2015
Land	\$472,380	\$472,380	\$263,500	\$263,500	\$735,880	\$735,880
Construction in Progress	399,265	277,653	53,877	0	453,142	277,653
Improvements Other than Buildings	244,923	39,687	6,276	7,417	251,199	47,104
Buildings and Improvements	865,702	726,053	2,923,665	3,049,329	3,789,367	3,775,382
Equipment	193,221	70,886	242,572	275,886	435,793	346,772
Infrastructure	895,391	976,236	7,203,615	7,354,948	8,099,006	8,331,184
Vehicles	548,644	664,283	200,842	150,844	749,486	815,127
<b>Totals</b>	<b>\$3,619,526</b>	<b>\$3,227,178</b>	<b>\$10,894,347</b>	<b>\$11,101,924</b>	<b>\$14,513,873</b>	<b>\$14,329,102</b>

The total increase in the City's capital assets, net of accumulated depreciation, for the current year was \$184,771 or 1.3 percent.

Governmental capital assets increased in the amount \$392,348 due to additions, which were offset by depreciation. Business-type activities decreased in the amount of \$207,577, due to depreciation.

For additional information on capital assets, see Note 11 to the basic financial statements.

***Debt***

As of December 31, 2016, and December 31, 2015, the City had total long-term debt of \$3,050,550 and \$3,275,656, respectively, as follows:

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

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$0	\$0	\$509,000	\$529,000	\$509,000	\$529,000
Revenue Bonds	0	0	1,276,000	1,327,000	1,276,000	1,327,000
OPWC Loans	0	0	64,810	88,555	64,810	88,555
OWDA Loans	0	0	856,330	1,003,360	856,330	1,003,360
Other Long-Term Loans	315,793	270,649	28,617	57,092	344,410	327,741
<b>Totals</b>	<b>\$315,793</b>	<b>\$270,649</b>	<b>\$2,734,757</b>	<b>\$3,005,007</b>	<b>\$3,050,550</b>	<b>\$3,275,656</b>

The City's overall legal debt margin was \$6,209,726. For additional information on debt, see Note 16 to the basic financial statements.

**Current Issues**

The City continues to work toward financial solvency, by adjusting and following its financial recovery plan, with the assistance of the financial planning and supervision commission. In February 2017, the City implemented rate changes to the water and sewer funds as a result of a study performed by the Rural Community Assistance Program (RCAP). This change will give the City the ability to make much needed upgrades to its aging water and sewer systems.

**City of Wellston, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*  
*Unaudited*

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**Requests for Information**

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

**City of Wellston, Ohio**  
*Statement of Net Position*  
*December 31, 2016*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$2,252,600	\$2,334,083	\$4,586,683
Investments in Segregated Accounts	2,608,835	0	2,608,835
Accounts Receivable	0	455,015	455,015
Permissive Motor Vehicle License Tax Receivable	6,497	0	6,497
Intergovernmental Receivable	237,913	0	237,913
Income Taxes Receivable	298,398	0	298,398
Property Taxes Receivable	700,611	0	700,611
Loans Receivable	129,452	0	129,452
Prepaid Items	18,325	13,620	31,945
Materials and Supplies Inventory	35,510	20,433	55,943
Non-Depreciable Capital Assets	871,645	317,377	1,189,022
Depreciable Capital Assets, Net	2,747,881	10,576,970	13,324,851
<i>Total Assets</i>	<u>9,907,667</u>	<u>13,717,498</u>	<u>23,625,165</u>
<b>Deferred Outflows of Resources</b>			
Pension	617,704	420,499	1,038,203
<b>Liabilities</b>			
Accounts Payable	65,202	66,828	132,030
Accrued Wages Payable	32,495	35,491	67,986
Intergovernmental Payable	56,446	28,898	85,344
Accrued Interest Payable	5,117	33,783	38,900
Contracts Payable	0	53,877	53,877
Customer Deposits Payable	0	232,447	232,447
Long-Term Liabilities:			
Due Within One Year	116,154	183,126	299,280
Due In More Than One Year:			
Net Pension Liability (See Note 11)	1,929,946	1,116,452	3,046,398
Other Amounts Due in More than One Year	294,696	2,675,721	2,970,417
<i>Total Liabilities</i>	<u>2,500,056</u>	<u>4,426,623</u>	<u>6,926,679</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	508,244	0	508,244
Pension	14,918	78,442	93,360
<i>Total Deferred Inflows of Resources</i>	<u>523,162</u>	<u>78,442</u>	<u>601,604</u>
<b>Net Position</b>			
Net Investment in Capital Assets	3,307,067	8,159,590	11,466,657
Restricted for:			
Street Construction	648,553	0	648,553
Recreation	1,482	0	1,482
Police Protection	3,853	0	3,853
Fire Protection	105,387	0	105,387
Community Development	821,407	0	821,407
Capital Projects	2,457,257	0	2,457,257
Cemetery	53,227	0	53,227
Cemetery Perpetual Care	251,268	0	251,268
Unrestricted (Deficit)	(147,348)	1,473,342	1,325,994
<i>Total Net Position</i>	<u>\$7,502,153</u>	<u>\$9,632,932</u>	<u>\$17,135,085</u>

See accompanying notes to the basic financial statements

**City of Wellston, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2016

	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
<b>Governmental Activities</b>				
General Government	\$758,450	\$82,245	\$229,544	\$0
Security of Persons and Property:				
Police	996,737	69,019	0	0
Fire	652,668	105,150	344,157	0
Transportation	555,601	0	314,922	0
Leisure Time Activities	26,635	0	0	270,431
Public Health Services	66,411	19,170	11,578	0
Community Environment	97,868	18,525	3,356	0
Interest and Fiscal Charges	8,229	0	0	0
<i>Total Governmental Activities</i>	<u>3,162,599</u>	<u>294,109</u>	<u>903,557</u>	<u>270,431</u>
<b>Business-Type Activities</b>				
Water	1,683,322	1,598,495	0	0
Sewer	921,182	1,093,285	0	0
Garbage	318,478	356,575	0	0
<i>Total Business-Type Activities</i>	<u>2,922,982</u>	<u>3,048,355</u>	<u>0</u>	<u>0</u>
<i>Totals</i>	<u>\$6,085,581</u>	<u>\$3,342,464</u>	<u>\$903,557</u>	<u>\$270,431</u>

**General Revenues**

Property Taxes Levied for:

    General Purposes

    Fire Protection

    Cemetery

    Streets

Income Taxes Levied for General Purposes

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

*Total General Revenues*

*Change in Net Position*

*Net Position Beginning of Year (Restated, See Note 3)*

*Net Position End of Year*

See accompanying notes to the basic financial statements.

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(\$446,661)	\$0	(\$446,661)
(927,718)	0	(927,718)
(203,361)	0	(203,361)
(240,679)	0	(240,679)
243,796	0	243,796
(35,663)	0	(35,663)
(75,987)	0	(75,987)
(8,229)	0	(8,229)
(1,694,502)	0	(1,694,502)
0	(84,827)	(84,827)
0	172,103	172,103
0	38,097	38,097
0	125,373	125,373
(1,694,502)	125,373	(1,569,129)
164,362	0	164,362
257,772	0	257,772
53,683	0	53,683
116,379	0	116,379
1,297,098	0	1,297,098
127,691	0	127,691
55,087	0	55,087
75,520	82,667	158,187
2,147,592	82,667	2,230,259
453,090	208,040	661,130
7,049,063	9,424,892	16,473,955
<u>\$7,502,153</u>	<u>\$9,632,932</u>	<u>\$17,135,085</u>

**City of Wellston, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2016*

	General	Fire Levy	Street	Permanent Investment	Other Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$910,923	\$51,750	\$252,876	\$0	\$1,037,051
Investments in Segregated Accounts	0	0	0	2,433,835	175,000
Receivables:					
Income Tax	298,398	0	0	0	0
Property Taxes	216,353	290,554	0	0	193,704
Intergovernmental	53,516	14,781	108,276	0	61,340
Permissive MVL Taxes	0	0	6,497	0	0
Prepaid Items	16,683	440	1,202	0	0
Loans	0	0	0	0	129,452
Interfund	4,447	0	0	0	0
Materials and Supplies Inventory	0	0	35,510	0	0
<i>Total Assets</i>	<u>\$1,500,320</u>	<u>\$357,525</u>	<u>\$404,361</u>	<u>\$2,433,835</u>	<u>\$1,596,547</u>
<b>Liabilities</b>					
Accounts Payable	19,382	9,928	18,413	0	17,479
Accrued Wages Payable	23,040	5,233	4,222	0	0
Interfund Payable	0	0	0	0	4,447
Intergovernmental Payable	44,132	6,867	2,889	0	2,558
<i>Total Liabilities</i>	<u>86,554</u>	<u>22,028</u>	<u>25,524</u>	<u>0</u>	<u>24,484</u>
<b>Deferred Inflows of Resources</b>					
Property Taxes	156,949	210,776	0	0	140,519
Unavailable Revenue	98,750	94,559	74,168	0	71,173
<i>Total Deferred Inflows of Resources</i>	<u>255,699</u>	<u>305,335</u>	<u>74,168</u>	<u>0</u>	<u>211,692</u>
<b>Fund Balances</b>					
Nonspendable for Cemetery Perpetual Care	0	0	0	0	251,268
Nonspendable for Inventories	0	0	35,510	0	0
Nonspendable for Prepaid Items	16,683	440	1,202	0	0
Restricted for:					
Street Construction	0	0	267,957	0	231,276
Police Protection	0	0	0	0	3,853
Fire Protection	0	29,722	0	0	0
Cemetery	0	0	0	0	32,213
Community Development	0	0	0	0	821,407
Capital Projects	0	0	0	2,433,835	23,422
Assigned to:					
Purchases on Order	10,250	0	0	0	0
Subsequent Year's Appropriations	179,758	0	0	0	0
Unassigned	951,376	0	0	0	(3,068)
<i>Total Fund Balances</i>	<u>1,158,067</u>	<u>30,162</u>	<u>304,669</u>	<u>2,433,835</u>	<u>1,360,371</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$1,500,320</u>	<u>\$357,525</u>	<u>\$404,361</u>	<u>\$2,433,835</u>	<u>\$1,596,547</u>

See accompanying notes to the basic financial statements



**City of Wellston, Ohio**  
*Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
December 31, 2016*

	<b>Total Governmental Fund Balances</b>	\$5,287,104
Total Governmental Funds	<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
\$2,252,600	Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,619,526
2,608,835		
298,398	Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:	
700,611	Delinquent Property Taxes	192,367
237,913	Intergovernmental Revenues	<u>146,283</u>
6,497		338,650
18,325		
129,452		
4,447		
<u>35,510</u>		
<u>\$6,292,588</u>		
65,202	The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:	
32,495	Deferred Outflows - Pension	617,704
4,447	Deferred Inflows - Pension	(14,918)
<u>56,446</u>	Net Pension Liability	<u>(1,929,946)</u>
158,590		(1,327,160)
508,244	Some liabilities are not due and payable in the current period and therefore are not reported in the funds:	
<u>338,650</u>	Long-Term Loans Payable	(315,793)
846,894	Compensated Absences	(95,057)
	Accrued Interest Payable	<u>(5,117)</u>
		<u>(415,967)</u>
	Net Position of Governmental Activities	<u>\$7,502,153</u>
251,268		
35,510		
18,325		
499,233		
3,853		
29,722		
32,213		
821,407		
2,457,257		
10,250		
179,758		
<u>948,308</u>		
5,287,104		
<u>\$6,292,588</u>		

**City of Wellston, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2016*

	General	Fire Levy	Street	Permant Investment	Other Governmental Funds
<b>Revenues</b>					
Property Taxes	\$162,401	\$254,836	\$0	\$0	\$168,105
Income Taxes	1,297,098	0	0	0	0
Permissive Motor Vehicle License Tax	0	0	77,472	0	0
Intergovernmental	127,918	344,402	216,553	0	527,821
Charges for Services	15,767	105,150	0	0	19,170
Fines and Forfeitures	52,010	0	0	0	1,242
Licenses and Permits	4,370	0	0	0	0
Investment Earnings	55,087	0	0	0	6,793
Rent	77,875	0	0	0	18,525
Miscellaneous	52,325	5,478	6,522	0	11,195
<i>Total Revenues</i>	<u>1,844,851</u>	<u>709,866</u>	<u>300,547</u>	<u>0</u>	<u>752,851</u>
<b>Expenditures</b>					
Current:					
General Government	642,617	0	0	0	90,522
Security of Persons and Property:					
Police	913,644	0	0	0	15,770
Fire	0	848,050	0	0	34,883
Transportation	0	0	445,952	0	128,382
Public Health Services	0	0	0	0	52,741
Leisure Time Services	0	0	0	0	143,533
Community Environment	0	0	0	0	73,355
Capital Outlay	0	0	0	0	13,670
Principal Retirement	0	0	0	0	45,106
Interest and Fiscal Charges	0	0	0	0	9,052
<i>Total Expenditures</i>	<u>1,556,261</u>	<u>848,050</u>	<u>445,952</u>	<u>0</u>	<u>607,014</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>288,590</u>	<u>(138,184)</u>	<u>(145,405)</u>	<u>0</u>	<u>145,837</u>
<b>Other Financing Sources (Uses)</b>					
Proceeds of Loans	0	90,250	0	0	0
<i>Net Change in Fund Balance</i>	288,590	(47,934)	(145,405)	0	145,837
<i>Fund Balances Beginning of Year</i>	<u>869,477</u>	<u>78,096</u>	<u>450,074</u>	<u>2,433,835</u>	<u>1,214,534</u>
<i>Fund Balances End of Year</i>	<u>\$1,158,067</u>	<u>\$30,162</u>	<u>\$304,669</u>	<u>\$2,433,835</u>	<u>\$1,360,371</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, 2016*

	<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$241,088
Total Governmental Funds	<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
\$585,342	Governmental funds report capital outlays as expenditures. However,	
1,297,098	in the statement of activities, the cost of those assets is allocated	
77,472	over their useful lives as depreciation expense. This is the amount	
1,216,694	by which capital outlay exceeded depreciation in the current period:	
140,087	Capital Outlay	661,781
53,252	Depreciation	<u>(269,433)</u>
4,370	Excess of Capital Outlay over Depreciation Expense	392,348
61,880		
96,400	Revenues in the statement of activities that do not provide current	
75,520	financial resources are not reported as revenues in the funds:	
<u>3,608,115</u>	Delinquent Property Taxes	6,854
	Intergovernmental Revenues	<u>720</u>
		7,574
	Repayments of principal is an expenditure in the governmental funds,	
733,139	but the repayment reduces long-term liabilities in the statement	
	of net position.	45,106
929,414		
882,933	In the statement of activities, interest is accrued on outstanding debt,	
574,334	whereas in governmental funds, interest is expended when due.	823
52,741		
143,533	Other financing sources in the governmental funds that increase long-	
73,355	term liabilities in the statement of net position are not reported:	
13,670	Proceeds of Loans	(90,250)
45,106		
<u>9,052</u>	Compensated absences reported in the statement of activities do	
	not require the use of current financial resources and therefore	
3,457,277	are not reported as expenditures in governmental funds.	3,290
<u>150,838</u>	Contractually required contributions are reported as expenditures in	
	governmental funds however, the Statement of Net Position reports	
	these amounts as deferred outflows	140,222
90,250		
241,088	Except for amounts reported as deferred inflows/outflows, changes in the	
	net pension liability are reported as pension expense in the Statement	
	of Activities	<u>(287,111)</u>
<u>5,046,016</u>	<i>Change in Net Position of Governmental Activities</i>	<u>\$453,090</u>
<u>\$5,287,104</u>		

**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, 2016*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property Taxes	\$155,300	\$155,300	\$162,401	\$7,101
Income Taxes	1,100,000	1,100,000	1,321,600	221,600
Intergovernmental	119,000	119,000	127,918	8,918
Charges for Services	15,450	15,450	15,767	317
Licenses and Permits	4,850	4,850	4,370	(480)
Fines and Forfeitures	37,500	37,500	51,638	14,138
Investment Earnings	54,060	54,060	55,050	990
Rent	69,696	69,696	77,875	8,179
Miscellaneous	0	25,000	52,325	27,325
<i>Total Revenues</i>	<u>1,555,856</u>	<u>1,580,856</u>	<u>1,868,944</u>	<u>288,088</u>
<b>Expenditures</b>				
Current:				
General Government	697,141	702,141	651,928	50,213
Security of Persons and Property:				
Police	<u>886,705</u>	<u>921,155</u>	<u>928,640</u>	<u>(7,485)</u>
<i>Total Expenditures</i>	<u>1,583,846</u>	<u>1,623,296</u>	<u>1,580,568</u>	<u>42,728</u>
<i>Excess of Revenues Over(Under) Expenditures</i>	(27,990)	(42,440)	288,376	330,816
<b>Other Financing Sources (Uses)</b>				
Advance In	0	0	298,166	298,166
Advance Out	0	0	(38,448)	(38,448)
Transfers Out	<u>0</u>	<u>(15,000)</u>	<u>0</u>	<u>15,000</u>
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(15,000)</u>	<u>259,718</u>	<u>274,718</u>
<i>Net Change in Fund Balance</i>	(27,990)	(57,440)	548,094	605,534
<i>Fund Balance at Beginning of Year</i>	341,454	341,454	341,454	0
Prior Year Encumbrances Appropriated	<u>7,115</u>	<u>7,115</u>	<u>7,115</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$320,579</u>	<u>\$291,129</u>	<u>\$896,663</u>	<u>\$605,534</u>

See accompanying notes to the basic financial statements.

**City of Wellston, Ohio**  
*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (Budget Basis)*  
*Fire Levy Fund*  
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property Taxes	\$244,300	\$244,300	\$254,836	\$10,536
Intergovernmental	117,350	417,350	344,402	(72,948)
Charges for Services	19,500	19,500	105,150	85,650
Miscellaneous	0	5,000	5,478	478
<i>Total Revenues</i>	<u>381,150</u>	<u>686,150</u>	<u>709,866</u>	<u>23,716</u>
<b>Expenditures</b>				
Current:				
Security of Persons and Property:				
Fire	<u>363,900</u>	<u>793,900</u>	<u>848,200</u>	<u>(54,300)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>17,250</u>	<u>(107,750)</u>	<u>(138,334)</u>	<u>(30,584)</u>
<b>Other Financing Sources</b>				
Proceeds of Loans	<u>0</u>	<u>90,000</u>	<u>90,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>17,250</u>	<u>(17,750)</u>	<u>(48,334)</u>	<u>(30,584)</u>
<i>Fund Balance at Beginning of Year</i>	<u>92,439</u>	<u>92,439</u>	<u>92,439</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>57,758</u>	<u>57,758</u>	<u>57,758</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$167,447</u></u>	<u><u>\$132,447</u></u>	<u><u>\$101,863</u></u>	<u><u>(\$30,584)</u></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)  
Street Fund  
For the Year Ended December 31, 2016*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Permissive Motor Vehicle Taxes	\$71,000	\$71,000	\$76,987	\$5,987
Intergovernmental	206,000	206,000	215,567	9,567
Miscellaneous	0	5,000	6,522	1,522
<i>Total Revenues</i>	277,000	282,000	299,076	17,076
<b>Expenditures</b>				
Current:				
Transportation	357,964	449,964	451,185	(1,221)
<i>Excess of Revenues Over (Under) Expenditures</i>	(80,964)	(167,964)	(152,109)	15,855
<i>Fund Balance at Beginning of Year</i>	360,147	360,147	360,147	0
Prior Year Encumbrances Appropriated	27,061	27,061	27,061	0
<i>Fund Balance at End of Year</i>	<u>\$306,244</u>	<u>\$219,244</u>	<u>\$235,099</u>	<u>\$15,855</u>

See accompanying notes to the basic financial statements.

**City of Wellston, Ohio**  
*Statement of Fund Net Position*  
*Enterprise Funds*  
*December 31, 2016*

	Water	Sewer	Garbage	Total Enterprise Funds
<b>Assets</b>				
<b>Current:</b>				
Equity in Pooled Cash and Cash Equivalents	\$907,665	\$932,656	\$261,315	\$2,101,636
Accounts Receivable	216,657	182,467	55,891	455,015
Prepaid Items	6,252	5,328	2,040	13,620
Materials and Supplies Inventory	20,433	0	0	20,433
<b>Restricted Assets:</b>				
Customer Deposits- Cash and Cash Equivalents	232,447	0	0	232,447
<i>Total Current Assets</i>	<u>1,383,454</u>	<u>1,120,451</u>	<u>319,246</u>	<u>2,823,151</u>
<b>Noncurrent:</b>				
Non-Depreciable Capital Assets	98,577	218,800	0	317,377
Depreciable Capital Assets, Net	5,158,900	5,327,817	90,253	10,576,970
<i>Total Assets</i>	<u>6,640,931</u>	<u>6,667,068</u>	<u>409,499</u>	<u>13,717,498</u>
<b>Deferred Outflows of Resources</b>				
Pension	235,734	133,795	50,970	420,499
<b>Liabilities</b>				
<b>Current:</b>				
Accounts Payable	44,227	15,945	6,656	66,828
Contracts Payable	53,877	0	0	53,877
Accrued Wages Payable	20,024	10,938	4,529	35,491
Intergovernmental Payable	15,535	10,487	2,876	28,898
Accrued Interest Payable	3,967	29,750	66	33,783
OPWC Loans Payable	3,762	3,032	0	6,794
OWDA Loans Payable	29,742	0	0	29,742
Compensated Absences Payable	32,279	26,385	12,926	71,590
General Obligation Bonds Payable	0	21,000	0	21,000
<b>Payable from Restricted Assets:</b>				
Customer Deposits Payable	232,447	0	0	232,447
Revenue Bonds	0	54,000	0	54,000
<i>Total Current Liabilities</i>	<u>435,860</u>	<u>171,537</u>	<u>27,053</u>	<u>634,450</u>
<b>Long-Term:</b>				
OPWC Loans Payable	48,920	9,096	0	58,016
OWDA Loans Payable	826,588	0	0	826,588
Loans Payable	0	0	28,617	28,617
Compensated Absences Payable	25,606	15,239	11,655	52,500
General Obligation Bonds Payable	0	488,000	0	488,000
Revenue Bonds Payable	0	1,222,000	0	1,222,000
Net Pension Liability	625,890	355,234	135,328	1,116,452
<i>Total Long-Term Liabilities</i>	<u>1,527,004</u>	<u>2,089,569</u>	<u>175,600</u>	<u>3,792,173</u>
<i>Total Liabilities</i>	<u>1,962,864</u>	<u>2,261,106</u>	<u>202,653</u>	<u>4,426,623</u>
<b>Deferred Inflows of Resources</b>				
Pension	13,241	41,191	24,010	78,442
<b>Net Position</b>				
Net Investment in Capital Assets	4,348,463	3,749,491	61,636	8,159,590
Unrestricted	552,097	749,075	172,170	1,473,342
<i>Total Net Position</i>	<u>\$4,900,560</u>	<u>\$4,498,566</u>	<u>\$233,806</u>	<u>\$9,632,932</u>

See accompanying notes to the basic financial statements

**City of Wellston, Ohio**  
*Statement of Revenues, Expenses and Changes in Fund Net Position*  
*Enterprise Funds*  
*For the Year Ended December 31, 2016*

	Water	Sewer	Garbage	Total Enterprise Funds
<b>Operating Revenues</b>				
Charges for Services	\$1,598,495	\$1,093,285	\$356,575	\$3,048,355
Miscellaneous	68,889	11,690	2,088	82,667
<i>Total Operating Revenues</i>	<u>1,667,384</u>	<u>1,104,975</u>	<u>358,663</u>	<u>3,131,022</u>
<b>Operating Expenses</b>				
Personal Services	512,747	296,675	122,746	932,168
Fringe Benefits	224,456	110,499	53,449	388,404
Contractual Services	317,906	157,533	115,514	590,953
Materials and Supplies	184,106	129,246	11,321	324,673
Depreciation	187,261	135,533	13,885	336,679
Capital Outlay	248,046	0	0	248,046
Other	807	0	0	807
<i>Total Operating Expenses</i>	<u>1,675,329</u>	<u>829,486</u>	<u>316,915</u>	<u>2,821,730</u>
<i>Operating Income (Loss)</i>	(7,945)	275,489	41,748	309,292
<b>Non-Operating Expenses</b>				
Interest and Fiscal Charges	(7,993)	(91,696)	(1,563)	(101,252)
<i>Change in Net Position</i>	(15,938)	183,793	40,185	208,040
<i>Net Position Beginning of Year (Restated- See Note 3)</i>	<u>4,916,498</u>	<u>4,314,773</u>	<u>193,621</u>	<u>9,424,892</u>
<i>Net Position End of Year</i>	<u><u>\$4,900,560</u></u>	<u><u>\$4,498,566</u></u>	<u><u>\$233,806</u></u>	<u><u>\$9,632,932</u></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, 2016

	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	\$1,586,511	\$1,103,062	\$348,807	\$3,038,380
Other Cash Receipts	68,889	11,690	2,088	82,667
Cash Payments for Employee Services and Benefits	(709,611)	(407,291)	(177,679)	(1,294,581)
Cash Payments for Goods and Services	(734,531)	(283,527)	(135,159)	(1,153,217)
Utility Deposits Received	47,300	0	0	47,300
Utility Deposits Returned	(32,509)	0	0	(32,509)
Other Operating Expenses	(807)	0	0	(807)
<i>Net Cash Provided by Operating Activities</i>	<u>225,242</u>	<u>423,934</u>	<u>38,057</u>	<u>687,233</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Proceeds from OWDA Loans	935	0	0	935
Payments for Capital Acquisitions	(83,862)	(45,240)	0	(129,102)
Principal Paid on General Obligation Bonds	0	(20,000)	0	(20,000)
Principal Paid on Revenue Bonds	0	(51,000)	0	(51,000)
Principal Paid on OPWC Loans	(20,713)	(3,032)	0	(23,745)
Principal Paid on OWDA Loans	(29,177)	(118,788)	0	(147,965)
Principal Paid on Other Loans	0	0	(28,475)	(28,475)
Interest Paid on General Obligation Bonds	0	(26,400)	0	(26,400)
Interest Paid on Revenue Bonds	0	(66,300)	0	(66,300)
Interest Paid on OWDA Loans	(8,111)	(1,800)	0	(9,911)
Interest Paid on Other Loans	0	0	(1,628)	(1,628)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(140,928)</u>	<u>(332,560)</u>	<u>(30,103)</u>	<u>(503,591)</u>
<i>Net Increase in Cash and Cash Equivalents</i>	84,314	91,374	7,954	183,642
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,055,798</u>	<u>841,282</u>	<u>253,361</u>	<u>2,150,441</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$1,140,112</u></u>	<u><u>\$932,656</u></u>	<u><u>\$261,315</u></u>	<u><u>\$2,334,083</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>				
Operating Income (Loss)	(\$7,945)	\$275,489	\$41,748	\$309,292
Adjustments:				
Depreciation	187,261	135,533	13,885	336,679
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(11,984)	9,777	(7,768)	(9,975)
(Increase) in Prepaid Items	(6,252)	(5,328)	(2,040)	(13,620)
(Increase) in Deferred Outflows - Pension	(164,876)	(85,313)	(30,459)	(280,648)
(Increase) in Materials and Supplies Inventory	(7,792)	0	0	(7,792)
Increase (Decrease) in Accounts Payable	(29,467)	130	(8,324)	(37,661)
Increase in Accrued Wages Payable	2,684	1,385	255	4,324
Increase in Contracts Payable	53,877	0	0	53,877
(Decrease) in Intergovernmental Payable	(7,813)	(556)	(2,153)	(10,522)
Increase in Customer Deposits Payable	14,791	0	0	14,791
Increase in Compensated Absences Payable	8,875	1,035	2,461	12,371
Increase in Net Pension Liability	188,329	55,851	8,667	252,847
Increase in Deferred Inflows - Pension	5,554	35,931	21,785	63,270
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$225,242</u></u>	<u><u>\$423,934</u></u>	<u><u>\$38,057</u></u>	<u><u>\$687,233</u></u>

See accompanying notes to the basic financial statements.

**City of Wellston, Ohio**  
*Statement of Assets and Liabilities*  
*Agency Funds*  
*December 31, 2016*

**Assets**

Equity in Pooled Cash and Cash Equivalents	<u><u>\$24,558</u></u>
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**Liabilities**

Due to Others	<u><u>\$24,558</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, 2016*

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**NOTE 1 - REPORTING ENTITY**

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

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

**Reporting Entity**

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

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

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

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

**A. Basis of Presentation**

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

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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Government-wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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

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

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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

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

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

Proprietary Funds

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

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

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

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

Fiduciary Funds

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

C. Measurement Focus

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

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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

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

D. Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions

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

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

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

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 19.

Unearned Revenue

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

Expenses/Expenditures

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

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

E. Budgetary Process

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

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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

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

**F. Cash and Cash Equivalents**

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

During 2016, investments were limited to certificates of deposit, which are reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the General Fund during 2016 amounted to \$55,087, which includes \$48,153 assigned from other City funds.

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

**G. Receivables and Payables**

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

**H. Interfund Balances**

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

**I. Restricted Assets**

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



**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
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**J. Capital Assets**

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

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

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

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

**K. Compensated Absences**

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

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

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

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

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

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

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

**M. Fund Balance**

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

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

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

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

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

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

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

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

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

#### N. Net Position

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

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

#### O. Interfund Transactions

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

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

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

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P. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Q. Estimates

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

R. 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.

S. Extraordinary and Special Items

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For 2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, “Fair Value Measurement and Application,” GASB Statement No. 73, “Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,” GASB Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,” GASB Statement No. 79, “Certain External Investment Pools and Pool Participants,” GASB Statement No. 77, “Tax Abatement Disclosures,” and GASB Statement No. 82, “Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73.”

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the City’s 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of Statement No.

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67, *Financial Reporting for Pension Plans*, and Statement 68. The implementation of this GASB pronouncement did not result in any changes to the City's financial statements.

GASB Statement No. 76 identifies-in the context of the current governmental financial reporting environment-the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the City's financial statements.

GASB Statement No. 77 requires disclosure of information about the nature and magnitude of tax abatements. These changes were incorporated in the City's 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance and also establishes additional note disclosure requirements for governments that participate in those pools. The City participates in STAR Ohio which implemented GASB Statement No. 79 for 2016. The City incorporated the corresponding GASB 79 guidance into their 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the City's 2016 financial statements; however, there was no effect on beginning net position/fund balance.

At December 31, 2015, the City's capital assets were understated. During 2016, the City completed a revaluation of capital assets, which resulted in a change to beginning balance.

The capital asset adjustment had the following effects on net position as reported December 31, 2015:

	Governmental Activities	Business-Type Activities	Total
Net Position December 31, 2015	\$6,169,983	\$8,224,441	\$14,394,424
Adjustments:			
Net Investment in Capital Assets	879,080	1,200,451	2,079,531
Restated Net Position December 31, 2015	\$7,049,063	\$9,424,892	\$16,473,955

**NOTE 4 - FUND DEFICITS**

The Recreation Special Revenue Fund had a deficit fund balance of \$3,068 as of December 31, 2016. This deficit is due to a negative cash balance, combined with adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NOTE 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

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures and Changes in Fund Balances, Budget and Actual (Budget Basis), are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as committed or assigned fund balance (GAAP basis).
4. Unrecorded cash and interest is reported on the balance sheet (GAAP) but not on the budgetary basis.
5. 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	Fire Levy	Street
GAAP Basis	\$288,590	(\$47,934)	(\$145,405)
Net Adjustment for Revenue Accruals	24,130	0	(1,471)
Net Adjustment for Expenditure Accruals	(4,767)	1,364	12,544
Beginning of Year:			
Unreported Interest	528	0	0
End of Year:			
Unreported Interest	(565)	0	0
Prepaid Items	(6,217)	0	0
Loan Proceeds	0	(250)	0
Advances In	298,166	0	0
Advances Out	(38,448)	0	0
Encumbrances	(13,323)	(1,514)	(17,777)
Budget Basis	\$548,094	(\$48,334)	(\$152,109)

**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitation bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying amount of the City's deposits was \$7,220,076 and the bank balance was \$7,231,169. Of the bank balance, \$552,000 was covered by Federal depository insurance, \$2,300,000 was covered by pledged securities and \$4,379,169 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

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

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2016 for real and public utility property taxes represents collections of 2015 taxes.

2016 real property taxes are levied after October 1, 2016, on the assessed value as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20.

Under certain circumstances, State statute permits later payment dates to be established. Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2016 public utility property taxes which became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2016, was \$10.80 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2016 property tax receipts were based are as follows:



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Real Property	\$58,149,010
Public Utility Real Property	32,750
Public Utility Personal Property	<u>3,966,040</u>
Total	<u>\$62,147,800</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property and public utility taxes and outstanding delinquencies which are measurable as of December 31, 2016, and for which there is an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2016 operations is offset to deferred inflows of resources - property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources - unavailable revenue.

**NOTE 8 – TAX ABATEMENT DISCLOSURES**

For 2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 77, “Tax Abatement Disclosures.” This GASB pronouncement requires disclosure of information about the nature and magnitude of tax abatements. As of December 31, 2016, the City provides tax abatements through Enterprise Zone Tax Exemptions.

**Enterprise Zone Tax Exemptions**

Pursuant to Ohio Revised Code Chapter 5709, the City established two Enterprise Zone property tax abatements to encourage new investment. Abatements are obtained through application by the property owner, including proof that the improvements have been made, and equal a percent of the additional property tax resulting from the increase in assessed value as a result of the improvement. The amount of the abatement is deducted from the recipient’s tax bill.

The City of Wellston has entered into two enterprise zone agreements with General Mills. One agreement is for the construction of a frozen distribution warehouse. The second agreement is for the construction of warehouse space. These abatement agreements are for 75 percent of the expansion value in exchange for job creation. In the event of default of the agreement terms, the City may require the repayment of the amount of taxes that would have been payable had the property not been exempted from taxation under this agreement.

Below is the information relevant to the disclosure of those programs for the year ended December 31, 2016.

Tax Abatement Program	Amount of 2016 Taxes Abated
<i>Enterprise Zone Tax Exemptions</i>	
General Mills Frozen Distribution Warehouse	\$221,710
General Mills Warehouse Space	98,617

**NOTE 9 - 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;

**City of Wellston, Ohio**  
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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 2016, all proceeds were received into the General Fund.

**NOTE 10 - RECEIVABLES**

Receivables at December 31, 2016, consisted primarily of taxes; loans; interfund receivables; intergovernmental receivables arising from grants, entitlements, and shared revenues; and utility accounts. All receivables are considered fully collectible. Delinquent utility accounts receivable (billings for user charged services) are certified and collected as special assessments, subject to foreclosure for nonpayment. The financial statements reflect loans receivable of \$129,452 for principal owed to the City for CDBG and UDAG revolving loan monies loaned to businesses for improvement and expansion efforts. All receivables are expected to be collected within one year, with the exception of delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$192,367, as well as \$129,452 of the outstanding CDBG and UDAG revolving loan receivables.

A summary of intergovernmental receivables follows:

<u>Governmental Activities:</u>	
Local Government Subsidies	\$42,510
Gasoline Tax	92,367
Motor Vehicle License Tax	22,259
Homestead and Rollback	35,641
Sales Tax	40,586
Recreation Grant	<u>4,550</u>
Total Intergovernmental Receivable	\$237,913

**City of Wellston, Ohio**  
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**NOTE 11 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2016, was as follows:

	Restated Balance 12/31/2015	Additions	Reductions	Balance 12/31/2016
<b><u>Governmental Activities:</u></b>				
Non-Depreciable Capital Assets:				
Land	\$472,380	\$0	\$0	\$472,380
Construction in Progress	277,653	399,265	(277,653)	399,265
Total Non-Depreciable Capital Assets	<u>750,033</u>	<u>399,265</u>	<u>(277,653)</u>	<u>871,645</u>
Depreciable Capital Assets:				
Improvements Other than Buildings	397,541	222,736	0	620,277
Buildings and Improvements	1,127,340	173,719	0	1,301,059
Equipment	297,948	143,714	0	441,662
Infrastructure	1,424,779	0	0	1,424,779
Vehicles	1,265,974	0	0	1,265,974
Total Depreciable Capital Assets	<u>4,513,582</u>	<u>540,169</u>	<u>0</u>	<u>5,053,751</u>
Accumulated Depreciation:				
Improvements Other than Buildings	357,854	17,500	0	375,354
Buildings and Improvements	401,287	34,070	0	435,357
Equipment	227,062	21,379	0	248,441
Infrastructure	448,543	80,845	0	529,388
Vehicles	601,691	115,639	0	717,330
Total Accumulated Depreciation	<u>2,036,437</u>	<u>269,433</u> *	<u>0</u>	<u>2,305,870</u>
Total Depreciable Capital Assets, Net	<u>2,477,145</u>	<u>270,736</u>	<u>0</u>	<u>2,747,881</u>
Governmental Activities Capital Assets, Net	<u>\$3,227,178</u>	<u>\$670,001</u>	<u>(\$277,653)</u>	<u>\$3,619,526</u>

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

<b><u>Governmental Activities:</u></b>	
Security of Persons and Property- Police	\$8,707
Security of Persons and Property- Fire	95,883
Transportation	113,882
Leisure Time Activities	26,448
Community Environment	24,513
Total Depreciation Expense	<u>\$269,433</u>

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	Restated Balance 12/31/2015	Additions	Reductions	Balance 12/31/2016
<b><u>Business - Type Activities:</u></b>				
Non Depreciable Capital Assets:				
Land	\$263,500	\$0	\$0	\$263,500
Construction in Progress	\$0	\$53,877	\$0	\$53,877
Total Non Depreciable Capital Assets	<u>263,500</u>	<u>53,877</u>	<u>0</u>	<u>317,377</u>
Depreciable Capital Assets:				
Land Improvements	63,848	0	0	63,848
Buildings and Improvements	5,752,465	0	0	5,752,465
Equipment	1,444,303	0	0	1,444,303
Infrastructure	11,162,423	0	0	11,162,423
Vehicles	636,150	75,225	0	711,375
Total Depreciable Capital Assets	<u>19,059,189</u>	<u>75,225</u>	<u>0</u>	<u>19,134,414</u>
Accumulated Depreciation:				
Land Improvements	56,431	1,141	0	57,572
Buildings and Improvements	2,703,136	125,664	0	2,828,800
Equipment	1,168,417	47,199	0	1,215,616
Infrastructure	3,807,475	151,333	0	3,958,808
Vehicles	485,306	11,342	0	496,648
Total Accumulated Depreciation	<u>8,220,765</u>	<u>336,679</u>	<u>0</u>	<u>8,557,444</u>
Total Depreciable Capital Assets, Net	<u>10,838,424</u>	<u>(261,454)</u>	<u>0</u>	<u>10,576,970</u>
Business - Type Activities Capital Assets, Net	<u>\$11,101,924</u>	<u>(\$207,577)</u>	<u>\$0</u>	<u>\$10,894,347</u>

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**Net Pension Liability**

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

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GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

***Plan Description – Ohio Public Employees Retirement System (OPERS)***

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

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<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<b>Public Safety</b>	<b>Public Safety</b>	<b>Public Safety</b>
<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Law Enforcement</b>	<b>Law Enforcement</b>	<b>Law Enforcement</b>
<b>Age and Service Requirements:</b> Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>
<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

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	State and Local	Public Safety	Law Enforcement
<b>2016 Statutory Maximum Contribution Rates</b>			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
<b>2016 Actual Contribution Rates</b>			
Employer:			
Pension	12.0 %	16.1 %	16.1 %
Post-employment Health Care Benefits	2.0	2.0	2.0
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

\* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

\*\* This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$139,897 for 2016. Of this amount, \$6,820 is reported as an intergovernmental payable.

***Plan Description – Ohio Police & Fire Pension Fund (OP&F)***

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

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

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The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013, is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
<b>2016 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 <b>2016 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
 Employee	 12.25 %	 12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$92,657 for 2016. Of this amount, \$16,356 is reported as an intergovernmental payable.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:



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	<u>OPERS</u>	<u>OP&amp;F</u>	
Proportion of the Net Pension Liability:			
Current Measurement Date	0.009766%	0.0210600%	
Prior Measurement Date	<u>0.009547%</u>	<u>0.0206536%</u>	
Change in Proportionate Share	<u>0.0002190%</u>	<u>0.0004064%</u>	
			<u>Total</u>
Proportionate Share of the Net Pension Liability	\$1,691,594	\$1,354,804	\$3,046,398
Pension Expense	\$224,394	\$190,518	\$414,912

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$497,223	\$220,510	\$717,733
Changes in proportion and differences between City contributions and proportionate share of contributions	74,300	13,616	87,916
City contributions subsequent to the measurement date	<u>139,897</u>	<u>92,657</u>	<u>232,554</u>
Total Deferred Outflows of Resources	<u>\$711,420</u>	<u>\$326,783</u>	<u>\$1,038,203</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	<u>\$89,556</u>	<u>\$3,804</u>	<u>\$93,360</u>
Total Deferred Inflows of Resources	<u>\$89,556</u>	<u>\$3,804</u>	<u>\$93,360</u>

\$232,554 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Year Ending December 31:			
2017	\$116,792	\$59,956	\$176,748
2018	124,741	59,956	184,697
2019	127,917	59,956	187,873
2020	112,517	47,331	159,848
2021	0	2,623	2,623
Thereafter	<u>0</u>	<u>500</u>	<u>500</u>
Total	<u>\$481,967</u>	<u>\$230,322</u>	<u>\$712,289</u>

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***Actuarial Assumptions - OPERS***

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuations are presented below.

Wage Inflation	3.75 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA:	4.25 to 10.05 percent including wage inflation
Pre-January 7, 2013 Retirees	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through

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the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
<b>Total</b>	<b>100.00 %</b>	<b>5.27 %</b>

**Discount Rate** The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the City’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$2,695,123	\$1,691,594	\$845,150

**Changes between Measurement Date and Report Date**

In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the City’s net pension liability is expected to be significant.

**Actuarial Assumptions – OP&F**

OP&F’s total pension liability as of December 31, 2015, is based on the results of an actuarial valuation date of January 1, 2015, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts

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and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2015, are presented below:

Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent, simple

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2015, are summarized below:

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Asset Class	Target Allocation	10 Year Expected Real Rate of Return**	30 Year Expected Real Rate of Return**
Cash and Cash Equivalents	- %	0.00 %	0.00 %
Domestic Equity	16.00	6.50	7.80
Non-US Equity	16.00	6.70	8.00
Core Fixed Income *	20.00	3.50	5.35
Global Inflation Protected Securities*	20.00	3.50	4.73
High Yield	15.00	6.35	7.21
Real Estate	12.00	5.80	7.43
Private Markets	8.00	9.50	10.73
Timber	5.00	6.55	7.35
Master Limited Partnerships	8.00	9.65	10.75
Total	<u>120.00 %</u>		

Note: Assumptions are geometric.

\* levered 2x

\*\* Numbers are net of expected inflation

OP&F's Board of Trustees has incorporated the "risk parity" concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

**Discount Rate** The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$1,786,806	\$1,354,804	\$988,857

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**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

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

OPERS maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both the Traditional Pension and Combined plans. The Board is also authorized to establish

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rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

Substantially all of the City's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was \$27,202, \$20,838, and \$24,451, respectively. For 2016, 85.71 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2015 and 2014.

**B. Police and Fire Pension Fund**

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

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

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

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

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19 percent and 23.5 percent of covered payroll for police and fire employer units. Active members do not make contributions to the OPEB Plan.

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2016, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contribution to OPF which was allocated to fund postemployment health care benefits for police and firefighters was \$1,559 and \$686 for the year ended December 31, 2016, \$1,493 and \$681 for the year ended December 31, 2015, and \$1,506 and \$723 for the year ended December 31, 2014. For 2016, 97.44 and 97.92 percent, respectively has been contributed for police and firefighters with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2015 and 2014.

**NOTE 14 - OTHER EMPLOYEE BENEFITS**

**A. Deferred Compensation Plans**

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

**B. Employee Insurance Benefits**

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

The City contracts with Anthem Blue Cross-Blue Shield for hospitalization and prescription insurance for all employees. Monthly premiums for single and family coverage are determined by each individual being insured meeting certain rate criteria. 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.



**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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C. Compensated Absences

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

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

NOTE 15 - 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	\$2,000,000 Per Occurrence	\$4,000,000
Public Officials Liability	2,000,000 Per Occurrence	4,000,000
Auto Liability	2,000,000 Per Occurrence	
Law Enforcement Professional Liability	2,000,000 Per Occurrence	4,000,000
Employee Dishonesty	50,000 Per Occurrence	
Property Damage	25,743,792	

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

For 2016, 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.

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**NOTE 16 - LONG-TERM OBLIGATIONS**

Changes in the City's long-term obligations during 2016 consist of the following:

	Outstanding 12/31/15	Additions	Reductions	Outstanding 12/31/16	Amounts Due Within One Year
<b><u>Governmental Activities:</u></b>					
Fire Department Renovation- 3.38%	\$0	\$90,250	\$0	\$90,250	\$2,685
Fire Trucks Loan- 2014 - 3%	144,892	0	15,818	129,074	16,112
Fire Trucks Loan - 2001 - \$221,000 - 3.95%	81,623	0	14,152	67,471	14,732
Police Cruisers Loan - 2013 - \$63,288 - 2.75%	37,466	0	11,802	25,664	12,996
Jackson County Commissioners CDBG Loan - 2003 - \$50,000 - 0%	6,668	0	3,334	3,334	3,334
<b>Total Loans Payable</b>	<b>270,649</b>	<b>90,250</b>	<b>45,106</b>	<b>315,793</b>	<b>49,859</b>
<b>Net Pension Liability:</b>					
OPERS	287,866	287,276	0	575,142	0
OP&F	1,069,942	284,862	0	1,354,804	0
<b>Total Net Pension Liability</b>	<b>1,357,808</b>	<b>572,138</b>	<b>0</b>	<b>1,929,946</b>	<b>0</b>
 Compensated Absences Payable	 98,347	 12,658	 15,948	 95,057	 66,295
 <b>Total Governmental Activities</b>	 <b>\$1,726,804</b>	 <b>\$675,046</b>	 <b>\$61,054</b>	 <b>\$2,340,796</b>	 <b>\$116,154</b>

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

	Outstanding 12/31/15	Additions	Reductions	Outstanding 12/31/16	Amounts Due Within One Year
<b><u>Business-Type Activities:</u></b>					
<b><u>General Obligation Bonds</u></b>					
Sewer Farmers Home Administration 1993 - 5.00%	\$529,000	\$0	\$20,000	\$509,000	\$21,000
<b><u>Revenue Bonds</u></b>					
Sewer Farmers Home Administration 1993 - 5.00%	1,327,000	0	51,000	1,276,000	54,000
<b><u>OPWC Loans</u></b>					
Water Line Improvements - 1996 - 0.00%	16,250	0	16,250	0	0
South Water Sludge Basin - 2009 - 0.00%	57,145	0	4,463	52,682	3,762
Green Acres Sewer Line - 2000 - 0.00%	15,160	0	3,032	12,128	3,032
Total OPWC Loans Payable	88,555	0	23,745	64,810	6,794
<b><u>OWDA Loans</u></b>					
Sewer Fund - 1996 - 2.20%	28,561	0	28,561	0	0
Sewer Fund - 2001 - 2.20%	90,227	0	90,227	0	0
Water Fund - 2010 - 3.00%	66,747	0	2,724	64,023	2,724
North Water Treatment Plant - 2011 - 0%	346,879	0	13,045	333,834	13,090
Jenkins Water Tank Replacement - 2011 - 2%	408,487	0	11,823	396,664	12,060
Fresh Water Fund (Phase II) - 2013 - 2.79%	62,459	0	1,585	60,874	1,868
Fresh Water Fund (Phase II) - 2013 - 2.79%	0	935	0	935	0
Total OWDA Loans Payable	1,003,360	935	147,965	856,330	29,742
<b><u>Other Loans</u></b>					
Garbage Fund Truck Loan - 2013 - 2.75%	57,092	0	28,475	28,617	0
Total Loans	1,149,007	935	200,185	949,757	36,536
Net Pension Liability- OPERS	863,605	252,847	0	1,116,452	0
Compensated Absences Payable	111,719	22,175	9,804	124,090	71,590
Total Business-Type Activities	\$3,980,331	\$275,957	\$280,989	\$3,975,299	\$183,126

Compensated absences will be paid from the funds from which employees are paid, which include the General Fund, the Fire Levy and the Street Special Revenue Funds, and the Water, Sewer, and Garbage Enterprise Funds. There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: General Fund, Water Fund, Sewer Fund, and Garbage Fund. For additional information related to the net pension liability see Note 12.

As of December 31, 2016, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$6,209,726, with an unvoted debt margin of \$3,102,336.

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**Governmental Activities:**

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

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

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

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

In 2016, the City borrowed \$90,250 to renovate the fire department. The loan matures in 2016 and will be paid from the Fire Fund.

The annual requirements to retire all governmental loans outstanding as of December 31, 2016, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2017	\$49,859	\$10,795
2018	47,940	8,695
2019	36,506	7,094
2020	42,645	5,825
2021	21,836	4,473
2022-2026	117,007	13,301
	<u>\$315,793</u>	<u>\$50,183</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, 2016, are:

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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Year	Principal	Interest
2017	\$21,000	\$25,450
2018	23,000	24,400
2019	24,000	23,250
2020	25,000	22,050
2021	26,000	20,800
2022-2026	151,000	83,150
2027-2031	194,000	41,300
2032	45,000	2,250
	\$509,000	\$242,650

***Revenue Bonds***

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

Principal and interest requirements to retire the City's revenue bonds outstanding at December 31, 2016, are:

Year	Principal	Interest
2017	\$54,000	\$63,800
2018	57,000	61,100
2019	59,000	58,250
2020	62,000	55,300
2021	65,000	52,200
2022-2026	381,000	208,550
2027-2031	486,000	103,300
2032	112,000	5,600
	\$1,276,000	\$608,100

***OPWC Loans***

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

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

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

Principal requirements to retire the City's OPWC loans outstanding at December 31, 2016 are:

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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<u>Year</u>	<u>Principal</u>
2017	\$6,794
2018	6,795
2019	6,795
2020	6,795
2021	3,763
2022-2026	18,815
2027-2030	15,053
	<u>\$64,810</u>

***OWDA Loans***

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

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

An OWDA loan was obtained in 2011 for upgrades to the North Water Treatment Plant. Repayment will be made from user fees and a loan forgiveness grant, and will be paid off in 2042.

An OWDA loan was obtained in 2011 for replacement of the Jenkins Water Tank. Repayment will be made from user fees and a loan forgiveness grant, and will be paid off in 2042.

An OWDA loan was obtained in 2013 for additional upgrades to the North Water Treatment Plant (Fresh Water Phase II). Repayment will be from user fees, and will be paid off in 2029.

An OWDA loan was obtained in 2016 for upgrades to the South Water Treatment Plant (South Water Upgrade). Repayment will be from user fees. The loan has not been fully drawn, and an amortization schedule is not available.

Principal and interest requirements to retire the City's enterprise OWDA loans outstanding at December 31, 2016, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2017	\$29,742	\$8,753
2018	32,669	9,296
2019	33,044	8,921
2020	33,427	8,537
2021	33,819	8,144
2022-2026	175,316	34,562
2027-2031	169,681	23,711
2032-2036	163,693	15,056
2037-2041	167,588	6,205
2042	16,416	99
Total	<u>\$855,395</u>	<u>\$123,284</u>

***Other Loans***

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

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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Year	Principal	Interest
2017	\$0	\$0
2018	28,617	806
Total	<u>\$28,617</u>	<u>\$806</u>

***Pledged Revenues***

The City has pledged future customer water revenues, net of specified operating expenses, to repay \$1,113,654 in Ohio Water Development Authority loans issued in 1995, \$81,729 issued in 2010, and for both loans issued in 2011. The loans are payable solely from customer net revenues. The final loan payment will be in 2042. Net revenues include all revenues received by the water utility less all operating expenses other than depreciation expense.

Annual principal and interest payments on the loans are expected to require 21 percent of net revenues. The total principal and interest remaining to be paid on the loans is \$855,395. Principal and interest payments for the current year were \$37,288, net revenues were \$179,316 and total revenues were \$1,667,384.

The City has pledged future customer sewer revenues, net of specified operating expenses, to repay \$2,000,000 in revenue bonds issued in 1993, as well as a \$930,173 Ohio Water Development Authority loan issued in 1996 and a \$1,221,145 Ohio Water Development Authority loan issued in 2001. The bonds and loans are payable solely from customer net revenues and are payable through 2032. Net revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense.

Annual principal and interest payments on the bonds and loan are expected to require 29 percent of net revenues. The total principal and interest remaining to be paid on the bonds and loan is \$1,276,000. Principal and interest payments for the current year were \$171,588, net revenues were \$411,022 and total revenues were \$1,104,975.

**NOTE 17 - INTERFUND BALANCES AND TRANSFERS**

**A. Balances**

Interfund Receivable and Interfund Payable balances at December 31, 2016, consisted of an interfund receivable to the General Fund and an interfund payable from the Recreation Special Revenue Fund. The advance from the General Fund to the Recreation Special Revenue Fund is due to timing differences with a reimbursement-basis grant. This advance will all be repaid in 2017.

**NOTE 18 - CONTINGENT LIABILITIES**

**A. Litigation**

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

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**B. Federal and State Grants**

For the period January 1, 2016, to December 31, 2016, the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

**NOTE 19 - FISCAL EMERGENCY DECLARATION**

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

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

**NOTE 20 - SIGNIFICANT COMMITMENTS**

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

General Fund	\$13,323
Fire Fund	1,514
Street Fund	17,777
Non-Major Governmental Funds	23,884
Water Fund	14,696
Sewer Fund	27,348
Garbage Fund	24
	<u>\$98,566</u>

**NOTE 21 – CONTRACTUAL COMMITMENTS**

As of December 31, 2016, the City had contractual commitments as follows:

Project	Fund	Contract Amount	Amount Expended	Balance at 12/31/2016
Water Main Extension Engineering	Water	\$23,450	\$22,277	\$1,173
SWTP Control Upgrade Engineering	Water	39,500	31,600	7,900
Totals		<u>\$62,950</u>	<u>\$53,877</u>	<u>\$9,073</u>



**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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NOTE 22 – SUBSEQUENT EVENT

Effective February 1, 2017, the City increased its water and sewer minimum usage rates to \$5.00 and \$7.21 respectively.

**City of Wellston, Ohio**  
*Required Supplementary Information*  
*Schedule of the City's Proportionate Share of the Net Pension Liability*  
*Ohio Public Employees Retirement System - Traditional Plan*  
*Last Three Years (1)*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's Proportion of the Net Pension Liability	0.0097660%	0.0095470%	0.0095470%
City's Proportionate Share of the Net Pension Liability	\$1,691,594	\$1,151,471	\$1,125,465
City's Covered Payroll	\$1,165,808	\$1,041,908	\$1,170,417
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	145.10%	110.52%	96.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

**City of Wellston, Ohio**  
*Required Supplementary Information*  
*Schedule of the City's Proportionate Share of the Net Pension Liability*  
*Ohio Police and Fire Pension Fund*  
*Last Three Years (1)*

	2016	2015	2014
City's Proportion of the Net Pension Liability	0.0210600%	0.0206536%	0.0206536%
City's Proportionate Share of the Net Pension Liability	\$1,354,804	\$1,069,942	\$1,005,894
City's Covered Payroll	\$454,728	\$440,284	\$422,474
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	297.94%	243.01%	238.10%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.77%	71.71%	73.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

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**City of Wellston, Ohio**  
*Required Supplementary Information*  
*Schedule of City Contributions*  
*Ohio Public Employees Retirement System - Traditional Plan*  
*Last Four Years (1)*

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$139,897	\$125,029	\$140,450	\$111,454
Contributions in Relation to the Contractually Required Contribution	<u>(139,897)</u>	<u>(125,029)</u>	<u>(140,450)</u>	<u>(111,454)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$1,165,808	\$1,041,908	\$1,170,417	\$857,338
Contributions as a Percentage of Covered Payroll	12.00%	12.00%	12.00%	13.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2013 is not available. An additional column will be added each year.

**City of Wellston, Ohio**  
*Required Supplementary Information*  
*Schedule of City Contributions*  
*Ohio Police and Fire Pension Fund*  
*Last Ten Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$92,657	\$89,864	\$86,434	\$57,125
Contributions in Relation to the Contractually Required Contribution	<u>(92,657)</u>	<u>(89,864)</u>	<u>(86,434)</u>	<u>(57,125)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$454,728	\$440,284	\$422,474	\$336,540
Contributions as a Percentage of Covered Payroll:	20.38%	20.41%	20.46%	16.97%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$45,743	\$67,911	\$74,739	\$82,759	\$81,666	\$77,766
<u>(45,743)</u>	<u>(67,911)</u>	<u>(74,739)</u>	<u>(82,759)</u>	<u>(81,666)</u>	<u>(77,766)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$331,364	\$487,473	\$527,508	\$605,295	\$593,191	\$566,930
13.80%	13.93%	14.17%	13.67%	13.77%	13.72%

**Independent Auditor's Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards***

City of Wellston  
Jackson County  
20 East Broadway  
Wellston, Ohio 45692

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 23, 2017.

**Internal Control over Financial Reporting**

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

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

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



Members of Council  
City of Wellston, Jackson County  
Independent Auditor's Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters Required by  
Government Auditing Standards

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*J. L. Uhrig and Associates, Inc.*

J. L. UHRIG AND ASSOCIATES, INC.  
Chillicothe, Ohio

June 23, 2017

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# Dave Yost • Auditor of State

CITY OF WELLSTON

JACKSON COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
AUGUST 24, 2017