



*CITY OF WELLSTON, OHIO*

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JACKSON COUNTY

REGULAR AUDIT

For the Year Ended December 31, 2000

**J. L. UHRIG & ASSOCIATES, INC.**

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CERTIFIED PUBLIC ACCOUNTANTS

78 North Plaza Blvd.  
Chillicothe, Ohio 45601





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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

We have reviewed the independent auditor's report of the City of Wellston, Jackson County, prepared by J.L. Uhrig & Associates, Inc., for the audit period January 1, 2000 through December 31, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO  
Auditor of State

November 15, 2001

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**CITY OF WELLSTON, OHIO**  
**TABLE OF CONTENTS**

FOR THE YEAR ENDED DECEMBER 31, 2000

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Independent Auditor's Report ..... 1

**General Purpose Financial Statements:**

Combined Balance Sheet  
All Fund Types and Account Groups ..... 2

Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances - All Governmental Fund Types ..... 6

Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual -  
All Governmental Fund Types ..... 7

Combined Statement of Revenues, Expenses and  
Changes in Fund Equity - Proprietary Fund  
Type and Similar Trust Fund ..... 10

Combined Statement of Cash Flows - Proprietary Fund  
Type and Similar Trust Fund ..... 11

Notes to the General Purpose Financial Statements ..... 12

**Audit Reports:**

Report on Compliance and on Internal Control over Financial  
Reporting Based on an Audit of Financial Statements Performed  
in Accordance with Government Auditing Standards ..... 32

Schedule of Findings ..... 34

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**Independent Auditor's Report**

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

We have audited the accompanying general purpose financial statements of the City of Wellston, Ohio (the City) as of and for the year ended December 31, 2000. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City as of December 31, 2000, and the results of its operations and cash flows of its proprietary fund type and non-expendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 4, 2001 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering the results of our audit.

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

J. L. UHRIG AND ASSOCIATES, INC.  
Certified Public Accountants

September 4, 2001

**CITY OF WELLSTON, OHIO**  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 As of December 31, 2000

	GOVERNMENTAL FUND TYPES		
	General	Special Revenue	Capital Projects
<b><i>Assets and Other Debits:</i></b>			
<b><i>Assets:</i></b>			
Equity in Pooled Cash and Cash Equivalents	\$4,180	\$549,123	\$3,727
Investments	0	2,309,378	0
Receivables:			
Taxes	218,434	369,689	0
Accounts	0	0	0
Accrued Interest	0	26,457	0
Notes Receivable	0	0	0
Due from Other Funds	0	0	0
Due from Other Governments	4,458	0	0
Materials and Supplies			
Inventory	2,812	11,735	0
Loans Receivable	0	458,508	0
Prepaid Items	851	1,496	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0
<b><i>Other Debits:</i></b>			
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0
<b><i>Total Assets and Other Debits</i></b>	\$230,735	\$3,726,386	\$3,727

PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPES	ACCOUNT GROUPS		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$833,588	\$149,116	\$0	\$0	\$1,539,734
0	158,941	0	0	2,468,319
0	0	0	0	588,123
238,309	0	0	0	238,309
0	990	0	0	27,447
419,998	0	0	0	419,998
0	0	0	0	0
0	0	0	0	4,458
14,281	0	0	0	28,828
0	0	0	0	458,508
8,068	0	0	0	10,415
11,942,630	0	4,077,473	0	16,020,103
0	0	0	290,936	290,936
<u>\$13,456,874</u>	<u>\$309,047</u>	<u>\$4,077,473</u>	<u>\$290,936</u>	<u>\$22,095,178</u>

(Continued)

**CITY OF WELLSTON, OHIO**  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 As of December 31, 2000

	GOVERNMENTAL FUND TYPES		
	General	Special Revenue	Capital Projects
<b><i>Liabilities, Fund Equity and Other Credits:</i></b>			
<b><i>Liabilities:</i></b>			
Accounts Payable	\$55,269	\$158,979	\$0
Contracts Payable	0	0	0
Accrued Wages and Benefits	11,242	5,421	0
Compensated Absences Payable	4,796	3,059	0
Due to Other Funds	0	0	0
Due to Other Governments	66,797	33,468	0
Deferred Revenue	213,502	350,064	0
Deposits Held and Due to Others	0	0	0
Accrued Interest Payable	0	7,337	0
Capital Leases Payable	0	0	0
Notes Payable	0	21,000	0
Loans Payable	0	0	0
	-----	-----	-----
<i>Total Liabilities</i>	351,606	579,328	0
	-----	-----	-----
<b><i>Fund Equity and Other Credits:</i></b>			
Investment in General Fixed Assets	0	0	0
Contributed Capital	0	0	0
Retained Earnings:			
Unreserved	0	0	0
Fund Balance:			
Reserved for Loans	0	458,508	0
Reserved for Inventory	2,812	11,735	0
Reserved for Encumbrances	0	204,185	0
Reserved for Prepaid Items	851	1,496	0
Reserved for Principal Endowment	0	0	0
Unreserved:			
Undesignated (Deficit)	(124,534)	2,471,134	3,727
	-----	-----	-----
<i>Total Fund Equity (Deficit) and Other Credits</i>	(120,871)	3,147,058	3,727
	-----	-----	-----
<i>Total Liabilities and Fund Equity and Other Credits</i>	\$230,735	\$3,726,386	\$3,727
	=====	=====	=====

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

PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPES	ACCOUNT GROUPS		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$165,251	\$0	\$0	\$0	\$379,499
0	0	0	0	0
13,204	0	0	0	29,867
50,333	0	0	56,286	114,474
0	0	0	0	0
28,004	0	0	0	128,269
0	0	0	0	563,566
0	26,164	0	0	26,164
82,696	0	0	0	90,033
0	0	0	13,650	13,650
56,000	0	0	221,000	298,000
6,656,832	0	0	0	6,656,832
-----	-----	-----	-----	-----
7,052,320	26,164	0	290,936	8,300,354
-----	-----	-----	-----	-----
0	0	4,077,473	0	4,077,473
4,067,091	0	0	0	4,067,091
2,337,463	0	0	0	2,337,463
0	0	0	0	458,508
0	0	0	0	14,547
0	0	0	0	204,185
0	0	0	0	2,347
0	282,883	0	0	282,883
0	0	0	0	2,350,327
-----	-----	-----	-----	-----
6,404,554	282,883	4,077,473	0	13,794,824
-----	-----	-----	-----	-----
\$13,456,874	\$309,047	\$4,077,473	\$290,936	\$22,095,178
=====	=====	=====	=====	=====

**CITY OF WELLSTON, OHIO**  
 Combined Statement of Revenues, Expenditures  
 And Changes in Fund Balances  
 All Governmental Fund Types  
 For the Year Ended December 31, 2000

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Revenues:</b>				
Taxes	\$146,987	\$304,638	\$0	\$451,625
Charges for Services	495	53,763	1,883	56,141
Fees, Licenses and Permits	13,978	22,459	0	36,437
Fines and Forfeitures	31,422	0	0	31,422
Intergovernmental	299,141	579,688	0	878,829
Interest	161,767	180,613	0	342,380
Net Increase (Decrease) in Investments	0	88,553	0	88,553
Rental	41,601	0	0	41,601
Other	45,067	49,312	0	94,379
<b>Total Revenues</b>	<b>740,458</b>	<b>1,279,026</b>	<b>1,883</b>	<b>2,021,367</b>
<b>Expenditures:</b>				
Current:				
General Government:				
Legislative and Executive	257,567	0	0	257,567
Security of Persons & Property	581,399	456,170	0	1,037,569
Leisure Time Activity	0	45,058	0	45,058
Health	0	71,354	0	71,354
Transportation	0	529,001	0	529,001
Community Environment	0	188,464	0	188,464
Other	0	168,146	0	168,146
Capital Outlay	0	0	5,500	5,500
Debt Service:				
Principal Retirement	0	12,876	0	12,876
Interest and Fiscal Charges	0	6,563	0	6,563
<b>Total Expenditures</b>	<b>838,966</b>	<b>1,477,632</b>	<b>5,500</b>	<b>2,322,098</b>
Excess of Revenues Over (Under) Expenditures	(98,508)	(198,606)	(3,617)	(300,731)
<b>Other Financing Sources (Uses):</b>				
Proceed of Notes	0	221,000	0	221,000
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>221,000</b>	<b>0</b>	<b>221,000</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(98,508)	22,394	(3,617)	(79,731)
Fund Balance (Deficit) at Beginning of Year Restated - See Note 15	(22,363)	3,124,664	7,344	3,109,645
Increase (Decrease) in Reserve for Inventory	0	0	0	0
<b>Fund Balance (Deficit) at End of Year</b>	<b>(\$120,871)</b>	<b>\$3,147,058</b>	<b>\$3,727</b>	<b>\$3,029,914</b>

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

**CITY OF WELLSTON, OHIO**  
 Combined Statement of Revenues, Expenditures and Changes  
 in Fund Balances - Budget (Non-GAAP Basis) and Actual  
 All Governmental Fund Types  
 For the Year Ended December 31, 2000

	GENERAL		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Taxes	\$172,107	\$153,032	(\$19,075)
Charges for Services	0	495	495
Fees, Licenses and Permits	11,623	13,978	2,355
Fines and Forfeitures	29,057	31,422	2,365
Intergovernmental	290,566	299,158	8,592
Interest	162,717	165,824	3,107
Rental	5,811	4,201	(1,610)
Other	81,358	82,467	1,109
<i>Total Revenues</i>	753,239	750,577	(2,662)
<b>Expenditures:</b>			
Current:			
General Government:			
Legislative and Executive	264,556	225,390	39,166
Security of Persons and Property	497,400	530,907	(33,507)
<i>Total Expenditures</i>	761,956	756,297	5,659
Excess of Revenues Over (Under) Expenditures	(8,717)	(5,720)	2,997
<b>Other Financing Sources (Uses):</b>			
Operating Transfers - Out	(5,000)	0	5,000
<i>Total Other Financing Sources (Uses)</i>	(5,000)	0	5,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(13,717)	(5,720)	7,997
Fund Balance at Beginning of Year	5,522	5,522	0
Fund Balance at End of Year	(\$8,195)	(\$198)	\$7,997

(Continued)

**CITY OF WELLSTON, OHIO**  
 Combined Statement of Revenues, Expenditures and Changes  
 in Fund Balances - Budget (Non-GAAP Basis) and Actual  
 All Governmental Fund Types  
 For the Year Ended December 31, 2000

	SPECIAL REVENUE		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Taxes	\$307,356	\$307,324	(\$32)
Charges for Services	75,896	53,763	(22,133)
Fees, Licenses, and Permits	24,698	22,459	(2,239)
Intergovernmental	711,789	579,688	(132,101)
Interest	33,246	48,757	15,511
Other	198,352	217,613	19,261
<i>Total Revenues</i>	1,351,337	1,229,604	(121,733)
<b>Expenditures:</b>			
Current:			
Health	84,248	70,044	14,204
Leisure Time Activity	46,206	47,803	(1,597)
Transportation	562,190	418,191	143,999
Security of Persons and Property	451,839	437,933	13,906
Community Environment	318,019	152,467	165,552
Other	205,000	176,146	28,854
<i>Total Expenditures</i>	1,667,502	1,302,584	364,918
Excess of Revenues Over (Under) Expenditures	(316,165)	(72,980)	243,185
<b>Other Financing Sources (Uses):</b>			
Proceeds of Notes	221,000	221,000	0
<i>Total Other Financing Sources (Uses)</i>	221,000	221,000	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(95,165)	148,020	243,185
Fund Balance at Beginning of Year	2,870,677	2,870,677	0
Fund Balance at End of Year	\$2,775,512	\$3,018,697	\$243,185

(Continued)

**CITY OF WELLSTON, OHIO**  
 Combined Statement of Revenues, Expenditures and Changes  
 In Fund Balances - Budget (Non-GAAP Basis) and Actual  
 All Governmental Fund Types  
 For the Year Ended December 31, 2000

	CAPITAL PROJECTS		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Charges for Services	\$1,500	\$1,883	\$383
<i>Total Revenues</i>	1,500	1,883	383
<b>Expenditures:</b>			
Capital Outlay	6,000	5,500	500
<i>Total Expenditures</i>	6,000	5,500	500
Excess of Revenues Over (Under) Expenditures	(4,500)	(3,617)	883
Fund Balance at Beginning of Year	7,344	7,344	0
Fund Balance at End of Year	\$2,844	\$3,727	\$883

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

**CITY OF WELLSTON, OHIO**  
 Combined Statement of Revenues, Expenses, and  
 Changes in Fund Equity  
 Proprietary Fund Type and Similar Trust Fund  
 For the Year Ended December 31, 2000

	PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	Totals (Memorandum Only)
	Enterprise	Non-Expendable Trust	
<b>Operating Revenues:</b>			
Charges for Services	\$2,201,247	\$5,510	\$2,206,757
Investment Income	0	1,031	1,031
Other Operating Revenues	124,176	0	124,176
<i>Total Operating Revenues</i>	2,325,423	6,541	2,331,964
<b>Operating Expenses:</b>			
Salaries	639,493	0	639,493
Fringe Benefits	216,748	0	216,748
Materials and Supplies	299,371	0	299,371
Depreciation	346,043	0	346,043
Contractual Services	295,352	0	295,352
Other	182,196	0	182,196
<i>Total Operating Expenses</i>	1,979,203	0	1,979,203
Operating Income (Loss)	346,220	6,541	352,761
<b>Non-Operating Revenues (Expenses):</b>			
Interest and Fiscal Charges	(183,312)	0	(183,312)
Net Increase (Decrease) in Investments	0	11,688	11,688
<i>Total Non-Operating Revenues (Expenses)</i>	(183,312)	11,688	(171,624)
Net Income (Loss)	162,908	18,229	181,137
Depreciation on Fixed Assets Acquired by Contributed Capital	59,144	0	59,144
Retained Earnings at Beginning of Year Restated (See Note 15)	2,115,411	264,654	2,380,065
Retained Earnings at End of Year	2,337,463	282,883	2,620,346
Contributed Capital at Beginning of Year	3,961,235	0	3,961,235
Other Contributions:			
Capital Grants	165,000	0	165,000
Depreciation on Fixed Assets Acquired by Contributed Capital	(59,144)	0	(59,144)
Contributed Capital at End of Year	4,067,091	0	4,067,091
Total Fund Equity at End of Year	\$6,404,554	\$282,883	\$6,687,437

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

**CITY OF WELLSTON, OHIO**  
 Combined Statement of Cash Flows  
 Proprietary Fund Type and Similar Trust Fund  
 For the Year Ended December 31, 2000

	PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	Totals (Memorandum Only)
	Enterprise	Non-Expendable Trust	
<b><i>Increase (Decrease) in Cash and Cash Equivalents:</i></b>			
<b><i>Cash Flows from Operating Activities:</i></b>			
Cash Received from Customers	\$2,312,882	\$5,551	\$2,318,433
Cash Received from Other Operating Sources	170,843	0	170,843
Cash Payments to Suppliers for Goods and Services	(661,676)	0	(661,676)
Cash Payments to Employees for Services	(630,955)	0	(630,955)
Cash Payments for Employee Benefits	(217,282)	0	(217,282)
Net Cash Provided by (Used for) Operating Activities	973,812	5,551	979,363
<b><i>Cash Flows from Capital and Related Financing Activities:</i></b>			
Payments for Capital Acquisitions	(692,523)	0	(692,523)
Principal Payments	(215,346)	0	(215,346)
Interest Payments	(146,834)	0	(146,834)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(1,054,703)	0	(1,054,703)
Net Increase (Decrease) in Cash and Cash Equivalents	(80,891)	5,551	(75,340)
Cash and Cash Equivalents at Beginning of Year	914,479	117,401	1,031,880
Cash and Cash Equivalents at End of Year	\$833,588	\$122,952	\$956,540
<b><i>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</i></b>			
Operating Income (Loss)	\$346,220	\$6,541	\$352,761
<b><i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</i></b>			
Depreciation	346,043	0	346,043
Changes in Assets and Liabilities:			
(Increase)/Decrease in Accounts Receivable	107,547	0	107,547
(Increase)/Decrease in Accrued Interest Receivable	46,667	(990)	45,677
(Increase)/Decrease in Due from Other Governments	(415)	0	(415)
(Increase)/Decrease in Prepaid Items	(2,889)	0	(2,889)
Increase/(Decrease) in Accounts Payable	122,157	0	122,157
Increase/(Decrease) in Accrued Wages	13,204	0	13,204
Increase/(Decrease) in Compensated Absences Payable	(4,722)	0	(4,722)
Total Adjustments	627,592	(990)	626,602
Net Cash Provided by (Used for) Operating Activities	\$973,812	\$5,551	\$979,363
Cash and Cash Equivalents - All Fiduciary Funds		\$149,116	
Cash and Cash Equivalents - Agency Funds		26,164	
Cash and Cash Equivalents - Non-Expendable Trust Fund		\$122,952	

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

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

FOR THE YEAR ENDED DECEMBER 31, 2000

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. CITY GOVERNMENT AND REPORTING ENTITY**

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

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

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

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

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

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

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

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

**CITY OF WELLSTON, OHIO**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000

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

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

**GOVERNMENTAL FUNDS:**

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

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

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

**PROPRIETARY FUND:**

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

**FIDUCIARY FUNDS:**

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

**ACCOUNT GROUPS:**

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

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

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

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

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

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

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

FOR THE YEAR ENDED DECEMBER 31, 2000

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

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

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the City is sixty days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

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

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

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

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of December 31, 2000, and delinquent property taxes, whose availability is indeterminate and which are not intended to finance the current year, have been recorded as deferred revenue.

**D. BUDGETS AND BUDGETARY ACCOUNTING**

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

Tax Budget: By July 15, the Auditor submits an annual tax budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. However, in accordance with Section 5747.53 of the Ohio Revised Code, the County Budget Commission has provided for the apportionment of undivided local government funds under an alternative method which has been approved by governmental subdivisions within the County. Under this alternative method, the County Budget Commission has waived the requirement for the City and other taxing authorities to adopt a tax budget.

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

**CITY OF WELLSTON, OHIO**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000

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

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

The revised budget then serves as the basis for the annual appropriation measure. Further amendments may be made during the year if the Council determines that revenue to be collected will be greater than or less than prior estimates and the budget commission finds the revised estimate to be reasonable. The amounts set forth in the financial statements represents estimates from the final amended certificate issued in 2000.

Appropriations: A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation budget is prepared by fund and function. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. Supplemental appropriations may be adopted by Council. Amounts shown in the financial statements represent the appropriated budgeted amounts and all supplemental appropriations. Several supplemental appropriations were adopted during 2000 by Council.

Budgeted Level of Expenditure: Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation ordinance without authority from Council. For all funds, Council appropriations are budgeted to fund, function, and detailed object level. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation adopted by Council. The appropriation allocations may be made by the City Auditor as long as the allocations are within Council's appropriated amount.

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

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

**E. CASH AND INVESTMENTS**

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

During fiscal year 2000, investments were limited to U.S. Treasury Notes, a Certificate of Deposit, and STAROhio.

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

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

FOR THE YEAR ENDED DECEMBER 31, 2000

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

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

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2000. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but is operated in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price of the investment could be sold for on December 31, 2000.

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

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

**F. PROPERTY, PLANT AND EQUIPMENT**

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

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

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

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

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

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

**CITY OF WELLSTON, OHIO**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000

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

**G. INVENTORIES OF SUPPLIES**

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

**H. PREPAID ITEMS**

Payments made to vendors for services that will benefit periods beyond December 31, 2000, are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

**I. INTERFUND ASSETS AND LIABILITIES**

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

**J. COMPENSATED ABSENCES**

The City follows the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. The liability includes the employees who are currently eligible to receive termination benefits and by those employees for whom it is probable will become eligible to receive payment in the future. The amount is based on accumulated sick leave and employee's wage rates at year end. This item is discussed in Note 12 to the General Purpose Financial Statements.

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

**K. INTERGOVERNMENTAL REVENUES**

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

**CITY OF WELLSTON, OHIO**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000

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

L. CONTRIBUTED CAPITAL

Contributed capital represents resources from other funds, other governments, private sources, and tap-in fees, to the extent they exceed the cost of physical connection to the system, which have been provided to the enterprise funds and are not subject to repayment. Because the City, prior to 1992 had not prepared financial statements in accordance with generally accepted accounting principles, the exact amount of contributed capital pertaining to years prior to 1992 cannot be determined. Consequently, only those amounts that have been able to be identified specifically have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to the enterprise funds have been classified as retained earnings. As of December 31, 2000 the City's contributed capital consisted of tap-in fees and capital grants.

M. RESERVES OF FUND EQUITY

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

N. SHORT-TERM OBLIGATIONS

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

O. LONG-TERM DEBT

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

P. INTERFUND TRANSACTIONS

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

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

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

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

FOR THE YEAR ENDED DECEMBER 31, 2000

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

**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. TOTAL COLUMNS ON FINANCIAL STATEMENTS**

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

**2. CASH DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

1. United States treasury notes, bills, bonds, or other obligations of or security issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to fair value daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and obligations of the State of Ohio;

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

FOR THE YEAR ENDED DECEMBER 31, 2000

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

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);

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

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

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

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

**Deposits:** At year end, the carrying amount of the City's deposits was \$713,680 and the bank balance was \$796,430. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$696,430 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City held to a successful claim by the FDIC.

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

	Category			Carrying	Fair
	1	2	3	Value	Value
<b>Investments:</b>					
U.S. Treasury Notes	\$ 0	\$2,468,319	\$ 0	\$2,468,319	\$2,468,319
State Treasury Pool	0	0	0	826,054	826,054
<b>Total</b>					
Investments	\$ 0	\$2,468,319	\$ 0	\$3,294,373	\$3,294,373

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

FOR THE YEAR ENDED DECEMBER 31, 2000

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

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

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

GASB 3 to GASB 9 Reconciliation

	<u>Cash &amp; Cash Equivalents</u>	<u>Investments</u>
GASB 3 Balances	\$713,680	\$ 3,294,373
Star Ohio	<u>826,054</u>	<u>(826,054)</u>
GASB 9 Balances	<u>\$ 1,539,734</u>	<u>\$2,468,319</u>

**3. BUDGETARY BASIS OF ACCOUNTING**

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis), All Governmental Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

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

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

	<u>General</u>	<u>Special Revenue</u>
GAAP Basis	\$(98,508)	\$22,394
Adjustments:		
Revenue Accrual	10,119	(48,445)
Expenditure Accrual	82,834	167,250
Encumbrances	<u>(165)</u>	<u>(235,236)</u>
Budget Basis	<u>\$(5,720)</u>	<u>\$(94,037)</u>

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

**CITY OF WELLSTON, OHIO**  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2000

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**4. ACCOUNTABILITY AND COMPLIANCE**

A. Accountability

The following funds have a fund balance deficit as of December 31, 2000:

<u>General Fund</u>	\$120,871
<u>Special Revenue Funds</u>	
Fire	34,820
Street	85,279
Cemetery	22,340
Recreation	7
CHIS Program	5,800
Sales Tax	22,143
<u>Enterprise Funds</u>	
Pool	16,882
McNally	22,331

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

B. Compliance

The following funds had expenditures plus encumbrances in excess of appropriations, at the legal level of appropriation, at December 31, 2000:

<u>General Fund</u>	
Security of Persons and Property	\$33,507
<u>Special Revenue Funds</u>	
FEMA Fund	
Other Expenditures	126
CDBG Revolving Loan Fund	
Other Expenditures	14,020
Railroad Depot Fund	
Community Environment	402
DARE Fund	
Security of Persons & Property	536
CHIS Program Fund	
Legislative & Executive	5,800

**CITY OF WELLSTON, OHIO**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000

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

The following funds had appropriations in excess of estimated resources at December 31, 2000:

<i>General Fund</i>	\$8,195
<i>Special Revenue Funds</i>	
Fire Fund	9,972
Street Fund	13,759
Cemetery Fund	3,253
CHIS Fund	5,800

**5. DEBT OBLIGATIONS**

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

<u>Types / Issues</u>	<u>Outstanding at 12/31/99</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding at 12/31/00</u>
<i>General Long-Term Obligations</i>				
Compensated Absences	\$ 50,199	\$ 6,087	\$ 0	\$ 56,286
Fire Truck Note	0	221,000	0	221,000
Capital Lease Payable	<u>26,526</u>	<u>0</u>	<u>12,876</u>	<u>13,650</u>
Total Long-Term Obligations	<u>\$ 76,725</u>	<u>\$ 227,087</u>	<u>\$ 12,876</u>	<u>\$ 290,936</u>
<i>Enterprise Fund Obligations</i>				
<i>Water Fund</i>				
OPWC Loan	\$ 567,896	\$ 0	\$ 36,491	\$ 531,405
OWDA Loan	1,113,654	0	33,324	1,080,330
<i>Garbage Fund</i>				
Garbage Truck Note	70,000	0	14,000	56,000
<i>Sewer Fund</i>				
OPWC Loan	481,753	0	45,196	436,557
FmHA Loan	2,632,000	0	33,000	2,599,000
OWDA Loan	<u>2,062,875</u>	<u>0</u>	<u>53,335</u>	<u>2,009,540</u>
Total Enterprise Fund Obligations	<u>\$6,928,178</u>	<u>\$ 0</u>	<u>\$215,346</u>	<u>\$6,712,832</u>

The Fire Truck note is for the purchase of a Pumper Fire Truck. The note is a direct obligation of the Fire Fund for which its full faith, credit and resources are pledged. Property and revenue of the Fire Fund have been pledged to repay this debt.

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

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

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

FOR THE YEAR ENDED DECEMBER 31, 2000

**5. DEBT OBLIGATIONS (Continued)**

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

The Garbage Truck Note is for the purchase of a Garbage Truck. The note is a direct obligation of the Garbage Fund for which its full faith, credit and resources are pledged. Property and revenue of the garbage facility have been pledged to repay this debt.

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

The annual requirement to amortize all enterprise fund debt outstanding as of December 31, 2000, including interest payments of \$3,220,334 are as follows:

	Farmers Home Loans Supported by Enterprise Revenues	OPWC Loan Supported by Enterprise Revenues	OWDA Loans Supported by Enterprise Revenues	Garbage Truck Note	Totals
2001	\$165,050	\$81,687	\$241,652	\$16,940	\$505,329
2002	164,300	81,687	241,652	16,205	503,844
2003	164,500	81,687	241,652	15,470	503,309
2004	164,600	81,687	241,652	14,735	502,674
2005	164,600	81,687	241,652	0	487,939
2006-2010	822,350	408,435	1,208,255	0	2,439,040
2011-2015	822,200	151,092	1,119,018	0	2,092,310
2016-2020	822,400	0	100,215	0	922,615
Thereafter	<u>1,976,106</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,976,106</u>
Totals	<u>\$ 5,266,106</u>	<u>\$ 967,962</u>	<u>\$3,635,748</u>	<u>\$63,350</u>	<u>\$9,933,166</u>
Less: Amount Representing Interest	<u>(2,667,106)</u>	<u>0</u>	<u>(545,878)</u>	<u>(7,350)</u>	<u>(3,220,334)</u>
Total Principal Requirements To Maturity	<u>\$ 2,599,000</u>	<u>\$ 967,962</u>	<u>\$ 3,089,870</u>	<u>\$56,000</u>	<u>\$ 6,712,832</u>

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

FOR THE YEAR ENDED DECEMBER 31, 2000

**5. DEBT OBLIGATIONS (Continued)**

The annual requirements to amortize all general long-term note debt outstanding as of December 31, 2000, including interest payments of \$162,677 are as follows:

<u>Year Ending</u>	<u>Fire Truck Note</u>
2001	\$19,184
2002	19,184
2003	19,184
2004	19,184
2005	19,184
2006-2010	95,920
2011-2015	95,920
Thereafter	<u>95,917</u>
Total	<u>\$383,677</u>

The City had the following general obligation bond anticipation note debt outstanding at December 31, 2000 in the Sales Tax Special Revenue Fund:

<u>Description</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate %</u>	<u>Principal Amount</u>
<i>Special Revenue Fund:</i>				
Police Cruiser Bond Anticipation Note	09-06-00	09-06-01	5.50%	<u>\$21,000</u>
Total Special Revenue				<u>\$21,000</u>

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

**6. PROPERTY TAX**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 1999. Real property taxes are payable annually or semiannually. The first payment is due March 14, with the remainder payable by August 13.

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

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

FOR THE YEAR ENDED DECEMBER 31, 2000

**6. PROPERTY TAX (Continued)**

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

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

Accrued property taxes receivable represent delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable and unpaid as of December 31, 2000. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2000 operations. The receivable and the portion of the tax levies prepaid by year end are therefore offset by a credit to deferred revenue.

The full tax rate for all City operations for the year ended December 31, 2000, was \$9.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2000 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate	\$46,843,550
Public Utility Personal Property	3,766,670
Tangible Personal Property	<u>10,184,321</u>
Total Property Taxes	<u>\$60,794,541</u>

**7. RECEIVABLES**

Receivables at December 31, 2000 consisted of taxes, interest, accounts (billings for user charged services including unbilled utility services), and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered fully collectible except accounts receivable related to utility services.

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

The note receivable in the Enterprise Fund is the result of an agreement made in 1995 between the City and the Pillsbury Company, whereby the Pillsbury Company has agreed to make payments to the City for the retirement of a portion of the original \$1,525,191 OWDA loan. The agreement requires the note be repaid over 15 years at 0% interest.

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

<u>General Fund</u>	
Municipal Court	<u>\$ 4,458</u>

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

FOR THE YEAR ENDED DECEMBER 31, 2000

**8. FIXED ASSETS**

General Fixed Assets: Changes in general fixed assets during 2000 were as follows:

	Balance @ 12/31/99	Additions	Deletions	Balance @ 12/31/00
Land	\$ 104,371	\$ 0	\$ 0	\$ 104,371
Buildings	2,885,275	0	0	2,885,275
Machinery & Equipment	287,464	39,445	0	326,909
Equipment Held Under Capital Leases	76,817	0	0	76,817
Vehicles	461,976	222,125	0	684,101
<b>Total</b>	<b><u>\$3,815,903</u></b>	<b><u>\$261,570</u></b>	<b><u>\$ 0</u></b>	<b><u>\$4,077,473</u></b>

Proprietary Fund Fixed Assets: A summary of the proprietary fund type fixed assets as of December 31, 2000, follows:

	Balance @ 12/31/00
Land	\$ 62,706
Buildings	8,290,863
Plant Improvement	2,971,783
Machinery & Equipment	448,217
Vehicles	356,678
Construction in Progress	387,239
Water/Sewer Lines	2,448,933
Total Assets	14,966,419
Accumulated Depreciation	(3,023,789)
Net Value of Assets	<u>\$ 11,942,630</u>

**9. DEFINED BENEFIT RETIREMENT PLANS**

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5%. The Retirement Board instituted a temporary employer contribution rollback for calendar year 2000. The employer rate for local government employer units was 10.84%, of covered payroll; 4.3% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to PERS for the years ended December 31, 1998, 1999, and 2000 were \$136,737, \$152,788, and \$169,595 respectively; 100% has been contributed for year 1998 and 1999, and 66% has been contributed for 2000. Of the 2000 amount, \$58,205 was unpaid at December 31, 2000 and is recorded as a liability within the respective funds.

***Police and Firemen's Disability and Pension Fund:*** The City of Wellston contributes to the Police and Firemen's Disability and Pension Fund of Ohio (the "Fund"), a cost-sharing multiple employer defined benefit pension plan administered by the State. The Fund provides retirement and disability benefits, annual cost of living adjustments, death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The Fund issues a publicly available financial report that includes financial statements and required supplementary information.

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

FOR THE YEAR ENDED DECEMBER 31, 2000

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

This report may be obtained by writing to the Police and Firemen's Disability and Pension Fund of Ohio, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members (both policemen and firemen) are required to contribute 10.0% of their annual covered salary and employers are required to contribute 19.5% of annual covered payroll for policemen and 24.0% of annual covered payroll for firemen. The City's contributions to the Fund for the years ending December 31, 1998, 1999, and 2000 were \$34,375, \$21,128, \$39,657 for the policemen; \$18,510, \$9,912, and \$18,399 for firemen; 100% has been contributed for years 1998 and 1999 and 62% has been contributed for 2000 for police; and 100% has been contributed for years 1998 and 1999 and 64% has been contributed for 2000 for firemen. Of the 2000 amount, for police \$15,036 and, for firemen, \$6,625 was unpaid at December 31, 2000 and are recorded as a liability with the General Fund.

**10. POSTEMPLOYMENT BENEFITS**

***Public Employees Retirement System:*** The PERS of Ohio provides postemployment health care benefits to age service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients and primary survivor recipients of such retirants is available. A portion of each employer's contribution to the PERS of Ohio is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions and requires employers to fund postemployment health care through their contributions to the PERS of Ohio. The portion of the 2000 employer contribution rate (identified above) that was used to fund health care for the year 2000 was \$67,275, 4.3% of covered payroll.

The health inflation and significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the PERS of Ohio's latest actuarial review performed as of December 31, 1999. OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

The number of active contributing participants was 401,339. \$10,805.5 million represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 1999. The actuarially accrued liability and the unfunded actuarial liability, based on the actuarial cost method used, were \$12,473.6 million and \$1,668.1 million, respectively.

The Retirement Board enacted temporary employer contribution rate rollback for calendar year 2000. The decision to rollback rates was based on the December 31, 1998 actuarial study, which indicated that actuarial assets exceeded actuarial liabilities. The temporary rate rollback was 20% for both state and local government divisions. The Board reallocated employer contributions from 4.2% to 4.3% at the beginning of the year to improve health care funding. The proportion of contributions dedicated to funding OPEB increased during the year for those reasons.

***Police and Firemen's Disability and Pension Fund:*** The Police and Firemen's Disability and Pension Fund provides postretirement health care coverage to any person who receives or is an eligible dependent child of such person. An eligible dependent child is any child under the age of eighteen whether or not the child is attending school or under the age of twenty two if attending school full-time or on a two thirds basis. The Ohio Revised Code Chapter 742 provides the authority allowing the Police and Firemen's Disability and Pension Fund's board of trustees to provide health care coverage and states that health care cost are included in the contribution rate. The contribution rate for Police is 19.5% and Firefighters is 24.0% of covered payroll of which 7.25% was applied to postemployment health care program. Health care funding and accounting is on a pay-as-you-go basis. In addition, most retirees are required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 1999, (the latest information available) was 12,467 for policemen and 9,807 for firefighters. The City's actual contributions in 2000 that were used to fund postemployment benefits was \$14,744 for police and \$5,558 for firefighters. The Fund's total health care expenses for the year ending December 31, 1999 were \$95,004,633, which was net of member contributions of \$5,518,098.

**CITY OF WELLSTON, OHIO**  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2000

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**11. RISK MANAGEMENT**

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

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

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

- C. The City is exposed to various risks of loss related to torts, theft, or damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During 2000, the City contracted with several insurance agencies for liability, auto, and crime insurance. Insurance has a \$0 to \$2,500 deductible per occurrence.

Coverages provided by the insurance agencies are as follows:

General Liability	\$ 500,000
Public Officials Liability	1,000,000
Law Enforcement Liability	1,000,000
Inland Marine	193,880
Automobile	500,000
Faithful Performance and Employee Bond	10,000

In addition, the City maintains separate replacement cost insurance on buildings and contents in the amount of \$18,259,428 with 90% coinsurance.

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

**12. OTHER EMPLOYEE BENEFITS**

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

All full time City employees earn sick leave at the rate of 4.6 hours for every 80 hours of active service. Upon separation from the City, employees with credited service are paid 50%, up to a maximum of thirty (30) days, or 240 hours, of their accrued sick leave, or the full balance may be transferred to another governmental agency. Such payment shall be based on the employee's rate of pay at the time of separation. At December 31, 2000 the current amount of unpaid compensated absences in the governmental funds and the balance of the liability in the general long-term obligations account group were \$7,855 and \$56,286 respectively. The liability for compensated absences in the enterprise funds was \$50,333.

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

FOR THE YEAR ENDED DECEMBER 31, 2000

**13. CONTINGENCIES**

Grants

The City received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2000.

Legal

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

**14. SEGMENT INFORMATION - ENTERPRISE FUNDS**

Financial segment information as of and for the year ended December 31, 2000 for the enterprise funds presented as follows:

	<u>Swimming Pool</u>	<u>Sewer</u>	<u>Sanitation System</u>	<u>Water</u>	<u>Industrial Site</u>	<u>Total</u>
Operating Revenues	\$17,458	\$804,143	\$ 256,438	\$1,157,025	\$90,359	\$2,325,423
Operating Expenses Before Depreciation	26,423	452,252	234,332	806,222	113,941	1,633,160
Depreciation Expense	71	249,264	17,678	61,160	17,870	346,043
Operating Income/(Loss)	(9,036)	102,627	4,438	289,643	(41,452)	346,220
Net Income/(Loss)	(9,036)	(55,240)	1,055	267,581	(41,452)	162,908
Fixed Assets: Additions	0	687,916	989	63,618	105,000	857,523
Net Working Capital	(17,695)	787,787	(6,837)	421,490	(22,331)	1,162,414
Total Assets	(16,819)	9,652,896	152,091	3,008,735	659,971	13,456,874
OWDA Loans Payable	0	2,009,540	0	1,080,330	0	3,089,870
OPWC Loans Payable	0	436,557	0	531,405	0	967,962
FmHA Loans Payable	0	2,599,000	0	0	0	2,599,000
Total Equity	(16,882)	4,415,424	75,367	1,282,630	648,015	6,404,554

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

FOR THE YEAR ENDED DECEMBER 31, 2000

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

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

	<u>Beginning Fund Balance/ Retained Earnings</u>	<u>Adjustments</u>	<u>Restated Fund Balance/ Retained Earnings</u>
General Fund	(\$30,482)	\$8,119	(\$22,363)
Special Revenue Funds	3,120,077	4,587	3,124,664
Enterprise Funds	2,088,558	26,853	2,115,411
Non-Expendable Trust Fund	266,688	(2,034)	264,654

**16. CAPITALIZED LEASE - LESSEE DISCLOSURE**

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

The governmental fund capital lease was recorded as an asset in the general fixed assets account group and a liability in the general long-term obligations account group. The governmental fund capital lease required the City to record the corresponding revenue and expenditure for the fair market value of minimum lease payment at lease exceptions in the Sales Tax Fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2000:

<u>Year Ending December 31,</u>	<u>Capital Lease Payments</u>
2001	<u>\$14,424</u>
Total Minimum Lease Payments	14,424
Less: Amount Representing Interest	<u>(774)</u>
Present Value of Minimum Lease Payments	<u><u>\$13,650</u></u>

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

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

We have audited the financial statements of the City of Wellston, Ohio (the City), as of and for the year ended December 31, 2000 and have issued our report thereon dated September 4, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

**Compliance**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompany schedule of findings as items 2000-01, 2000-02 and 2000-03. We also noted other instances of noncompliance that we have reported to the management of the City in a separate letter dated September 4, 2001.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operations that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operations of the internal control over financial reporting that in our judgement, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. These reportable conditions are described in the accompanying schedule of findings as items 2000-04 and 2000-05.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider each of the items described above as reportable conditions to be material weaknesses.

Members of Council  
City of Wellston  
Report on Compliance and on Internal Control over Financial Reporting  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

We also noted other matters involving the internal control over financial reporting that we have reported to the management of the City in a separate letter dated September 4, 2001.

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

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

J. L. UHRIG & ASSOCIATES, INC.  
Certified Public Accountants

September 4, 2001

**CITY OF WELLSTON, OHIO**  
**SCHEDULE OF FINDINGS**

FOR THE YEAR ENDED DECEMBER 31, 2000

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

***Finding Number 2000-01***

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

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

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

***Finding Number 2000-02***

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

The City's adopted appropriations exceeded the estimated resources in several funds. The City failed to obtain an amended certificate of estimated resources, which resulted in monies being appropriated that exceeded the estimated resources. This practice has also resulted in several funds being overspent during the year.

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

***Finding Number 2000-03***

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

The City expended and encumbered monies in several funds that exceeded the appropriations adopted. This practice has resulted in several funds being overspent during the year.

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

**CITY OF WELLSTON, OHIO**  
**SCHEDULE OF FINDINGS**

FOR THE YEAR ENDED DECEMBER 31, 2000

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<b><i>Finding Number 2000-04</i></b>
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Reconciliation of Bank Accounts

Timely preparation of a complete and accurate bank reconciliation is a key to maintaining adequate control over both cash receipts and disbursements. During much of the year, the bank account reconciliations were incomplete. Specifically, they contained unreconciled differences.

By not reconciling the accounts on a monthly basis, errors or irregularities can go undetected and not be recognized and resolved on a timely basis. While the City eventually accounted for all unreconciled differences, a considerable amount of time had past.

In order to strengthen the controls over cash and to have sound, reliable financial information for making decisions, we recommend that the City Auditor and City Treasurer reconcile all fund activity with the bank and resolve any differences immediately following the end of each month.

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<b><i>Finding Number 2000-05</i></b>
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Adequate Financial Records

The City has not maintained an adequate set of financial records. Certain receipts and disbursements were found to either be entered into the accounting system incorrectly or not entered at all. Additionally, the City had not entered any of the budgetary revenue information into the accounting system. Such a system does not provide accurate and reliable financial information for making decisions.

The importance of a good accounting system cannot be overemphasized. Without adequate financial records, management is basing decisions on incomplete and/or inaccurate information during the year, and excessive time is spent at year end preparing and auditing the financial statements.

In order to provide sound, reliable financial information for making decisions, we recommend that the City institute the necessary controls over the financial records that will allow both the supporting documentation and budgetary information in the accounting system to be checked by someone other than the person that has entered the information.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**CITY OF WELLSTON**

**JACKSON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 27, 2001**