



Balestra, Harr & Scherer, CPAs, Inc.

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

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CITY OF WELLSTON
JACKSON COUNTY, OHIO

REGULAR AUDIT

For the Year Ended December 31, 2013
Fiscal Year Audited Under GAGAS: 2013



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Wellston, Jackson County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2013 through December 31, 2013. 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 cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

August 20, 2014

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City of Wellston, Ohio

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

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Independent Auditor's Report

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

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wellston, Jackson County, Ohio, (the City), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Wellston, Jackson County, Ohio as of December 31, 2013, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General, Fire Levy, Cemetery and Housing Preservation Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2014, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Balestra, Harr & Scherer, CPAs
Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
June 25, 2014

City of Wellston, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

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, 2013. 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 2013 are as follows:

- The City's total net position increased by 6.4 percent, or \$888,909, 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 \$6,525,114, an increase of \$118,208 from the prior year. Unrestricted net position was \$383,325.
- At the end of the current year, unassigned fund balance for the General Fund was \$593,810, which represents a 23.5 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 2013?" 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.

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.

City of Wellston, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2013
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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, Cemetery, and Housing Preservation 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.

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

City of Wellston, Ohio
Management's Discussion and Analysis
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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 2013 compared to 2012.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Current and Other Assets	\$5,682,227	\$5,591,299	\$2,182,093	\$1,322,908	\$7,864,320	\$6,914,207
Capital Assets, Net	1,641,889	1,533,497	10,273,379	10,462,830	11,915,268	\$11,996,327
Total Assets	<u>7,324,116</u>	<u>7,124,796</u>	<u>12,455,472</u>	<u>11,785,738</u>	<u>19,779,588</u>	<u>18,910,534</u>
Liabilities						
Current and Other Liabilities	140,390	154,235	374,439	327,681	514,829	481,916
Noncurrent Liabilities	251,726	212,019	3,814,358	3,962,083	4,066,084	4,174,102
Total Liabilities	<u>392,116</u>	<u>366,254</u>	<u>4,188,797</u>	<u>4,289,764</u>	<u>4,580,913</u>	<u>4,656,018</u>
Deferred Inflows of Resources						
Property Taxes	406,886	351,636	0	0	406,886	351,636
Net Position						
Net Investment in Capital Assets	1,482,271	1,412,614	6,564,594	6,601,600	8,046,865	8,014,214
Restricted	4,659,518	4,865,686	0	0	4,659,518	4,865,686
Unrestricted	383,325	128,606	1,702,081	894,374	2,085,406	1,022,980
Total Net Position	<u>\$6,525,114</u>	<u>\$6,406,906</u>	<u>\$8,266,675</u>	<u>\$7,495,974</u>	<u>\$14,791,789</u>	<u>\$13,902,880</u>

Total governmental activities assets increased \$199,320. Governmental activities' capital assets increased \$108,392 due to the purchase of several vehicles, whose cost exceeded total depreciation expense. There was an increase in total liabilities for governmental activities of \$25,862. The \$189,451 decrease in capital assets for business-type activities is due to depreciation, offset by two capital projects in the Water Fund. Business-Type activities' current assets increased \$859,185, primarily due to an increase in cash.

City of Wellston, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2013
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Table 2 shows the changes in net position for the year ended December 31, 2013, and comparisons to 2012.

Table 2
Changes in Net Position

	Governmental Activities 2013	Business- Type Activities 2013	Total 2013	Governmental Activities 2012*	Business- Type Activities 2012	Total 2012
Revenues						
Program Revenues:						
Charges for Services	\$123,061	\$3,081,402	\$3,204,463	\$180,338	\$2,998,133	\$3,178,471
Operating Grants and Contributions	913,562	0	913,562	1,643,033	0	1,643,033
Capital Grants and Contributions	0	250,000	250,000	0	44,655	44,655
<i>Total Program Revenues</i>	<u>1,036,623</u>	<u>3,331,402</u>	<u>4,368,025</u>	<u>1,823,371</u>	<u>3,042,788</u>	<u>4,866,159</u>
General Revenues:						
Property Taxes	450,437	0	450,437	374,006	0	374,006
Income Taxes	1,137,156	0	1,137,156	1,093,600	0	1,093,600
Grants and Entitlements	132,550	0	132,550	189,786	0	189,786
Investment Earnings	65,527	0	65,527	65,474	0	65,474
Miscellaneous	92,060	66,129	158,189	70,937	56,771	127,708
Total General Revenues and Extraordinary Item	<u>1,877,730</u>	<u>66,129</u>	<u>1,943,859</u>	<u>1,793,803</u>	<u>56,771</u>	<u>1,850,574</u>
Total Revenues	<u>2,914,353</u>	<u>3,397,531</u>	<u>6,311,884</u>	<u>3,617,174</u>	<u>3,099,559</u>	<u>6,716,733</u>
Program Expenses						
General Government	679,403	0	679,403	737,476	0	737,476
Security of Persons and Property	1,200,362	0	1,200,362	1,268,774	0	1,268,774
Transportation	217,274	0	217,274	312,904	0	312,904
Leisure Time Activities	5,290	0	5,290	5,290	0	5,290
Public Health Services	12,964	0	12,964	15,204	0	15,204
Community Environment	674,304	0	674,304	1,127,372	0	1,127,372
Interest and Fiscal Charges	6,548	0	6,548	5,542	0	5,542
Water	0	1,304,060	1,304,060	0	1,438,591	1,438,591
Sewer	0	1,050,278	1,050,278	0	1,050,691	1,050,691
Garbage	0	272,492	272,492	0	260,372	260,372
<i>Total Program Expenses</i>	<u>2,796,145</u>	<u>2,626,830</u>	<u>5,422,975</u>	<u>3,472,562</u>	<u>2,749,654</u>	<u>6,222,216</u>
Increase in Net Position	118,208	770,701	888,909	144,612	349,905	494,517
Net Position Beginning of Year	6,406,906	7,495,974	13,902,880	6,262,294	7,146,069	13,408,363
Net Position End of Year	<u>\$6,525,114</u>	<u>\$8,266,675</u>	<u>\$14,791,789</u>	<u>\$6,406,906</u>	<u>\$7,495,974</u>	<u>\$13,902,880</u>

* - Certain reclassifications were made for consistency in reporting. There was no effect on net position.

Governmental Activities

Operating grants and contributions accounted for 31.3 percent of total governmental revenues. Property Tax revenue provided 15.5 percent of total governmental revenues, and 39 percent was generated from income taxes. These revenue sources comprise the largest components of City revenues. Income taxes, property taxes, grants and entitlements, and contributions combined together, provided 59 percent of the City's total governmental revenues.

The City received \$123,061, or 4.2 percent of total governmental revenues, in charges for services. These direct charges to citizens include recreation fees, court fines and forfeitures, police security services, and licenses and permits.

City of Wellston, Ohio
Management's Discussion and Analysis
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The City's security of persons and property activities accounted for \$1,200,362, or 42.9 percent, of total expenses. General government activities accounted for \$679,403, or 24.3 percent, of total expenses. Community Environment activity accounted for \$674,304, or 24.1 percent, of total expenses.

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

Table 3
Program Expenses and Net Costs of Governmental Activities, by Program
For the Year Ended December 31, 2013

	Program Activity Expenses <u>2013</u>	Net Cost (Gain) of Program Activity <u>2013</u>	Program Activity Expenses <u>2012</u>	Net Cost (Gain) of Program Activity <u>2012</u>
General Government	\$679,403	\$583,242	\$737,476	\$585,548
Security of Persons and Property	1,200,362	1,014,455	1,268,774	887,790
Transportation	217,274	(43,042)	312,904	96,473
Leisure Time Activities	5,290	(11,970)	5,290	5,290
Public Health Services	12,964	9,583	15,204	6,093
Community Environment	674,304	200,706	1,127,372	319,134
Interest and Fiscal Charges	6,548	6,548	5,542	5,542
Totals	<u>\$2,796,145</u>	<u>\$1,759,522</u>	<u>\$3,472,562</u>	<u>\$1,905,870</u>

Business-Type Activities

The City's business-type activities are for water, sewer, and garbage services. During 2013, program revenues exceeded expenses by \$704,572.

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

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.

City of Wellston, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

General Fund

The General Fund is the primary operating fund of the City. At the end of 2013, fund balance was \$608,128.

The fund balance of the City's General Fund increased by \$124,606. During 2013, the General Fund used excess cash to reduce deficits in the Fire and Cemetery Funds. At the end of the year, the General Fund advanced \$247,508 to the Cemetery Fund to temporarily eliminate the Cemetery Fund's remaining negative cash balance.

Other Major Governmental Funds

The fund balance of the Fire Levy Special Revenue Fund at December 31, 2013, was \$32,180, an increase of \$48,248.

The fund balance of the Cemetery Special Revenue Fund at December 31, 2013, was (\$249,443), an increase of \$98,112.

The fund balance of the Housing Preservation Special Revenue Fund at December 31, 2013, was \$121,732, an increase of \$74,849.

The fund balance of the Permanent Investment Capital Projects Fund at December 31, 2013, is \$2,433,835, the same as the prior year. The balance represents the proceeds from the 1967 sale of the City's electric utility.

Enterprise Funds

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

The City's enterprise funds are the Water, Sewer, and Garbage Funds. The Water Fund's net position increased \$587,818, the Sewer Fund's net position increased \$91,378, and the Garbage Fund's net position increased \$91,505.

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 did not change significantly during the year.

City of Wellston, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2013
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Capital Assets and Debt Administration

Capital Assets

At the end of 2013, the City's had \$11,915,268 invested in capital assets, net of accumulated depreciation. Table 4 shows fiscal year 2013 balances compared to 2012.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land	\$103,550	\$103,550	\$0	\$0	\$103,550	\$103,550
Land Improvements Not Depreciated	81,141	81,141	0	0	81,141	81,141
Construction in Progress	0	0	87,929	767,726	87,929	767,726
Buildings and Improvements	509,005	515,224	5,825,090	5,277,613	6,334,095	5,792,837
Land Improvements	19,995	21,374	0	0	19,995	21,374
Equipment	37,943	22,494	148,422	246,494	186,365	268,988
Infrastructure	293,872	327,179	4,074,443	4,147,376	4,368,315	4,474,555
Vehicles	596,383	462,535	137,495	23,621	733,878	486,156
Totals	\$1,641,889	\$1,533,497	\$10,273,379	\$10,462,830	\$11,915,268	\$11,996,327

The total decrease in the City's capital assets, net of accumulated depreciation, for the current year was \$81,059 or 0.7 percent.

For additional information on capital assets, see Note 10 to the basic financial statements.

Debt

As of December 31, 2013, and December 31, 2012, the City had total long-term debt of \$3,881,737 and \$3,998,780, respectively, as follows:

Table 5
Outstanding Debt

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds	\$0	\$0	\$567,000	\$585,000	\$567,000	\$585,000
Revenue Bonds	0	0	1,423,000	1,467,000	1,423,000	1,467,000
OPWC Loans	0	0	166,444	204,223	166,444	204,223
OWDA Loans	0	0	1,439,775	1,605,007	1,439,775	1,605,007
Other Long-Term Loans	172,952	137,550	112,566	0	285,518	137,550
Totals	\$172,952	\$137,550	\$3,708,785	\$3,861,230	\$3,881,737	\$3,998,780

The City's overall legal debt margin was \$5,978,993. For additional information on debt, see Note 15 to the basic financial statements.

City of Wellston, Ohio
Management's Discussion and Analysis
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Current Issues

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

Requests for Information

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

City of Wellston, Ohio
Statement of Net Position
December 31, 2013

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,757,643	\$1,554,315	\$3,311,958
Investments in Segregated Accounts	2,608,835	0	2,608,835
Accounts Receivable	0	451,837	451,837
Permissive Motor Vehicle License Tax Receivable	5,168	0	5,168
Intergovernmental Receivable	284,230	0	284,230
Income Taxes Receivable	304,649	0	304,649
Property Taxes Receivable	569,534	0	569,534
Loans Receivable	152,168	0	152,168
Customer Deposits	0	175,941	175,941
Non-Depreciable Capital Assets	184,691	87,929	272,620
Depreciable Capital Assets, Net	1,457,198	10,185,450	11,642,648
<i>Total Assets</i>	<u>\$7,324,116</u>	<u>\$12,455,472</u>	<u>\$19,779,588</u>
Liabilities			
Accounts Payable	\$47,488	\$74,835	\$122,323
Accrued Wages and Benefits Payable	10,916	8,303	19,219
Intergovernmental Payable	78,245	71,017	149,262
Accrued Interest Payable	3,741	44,343	48,084
Customer Deposits Payable	0	175,941	175,941
Long-Term Liabilities:			
Due Within One Year	67,045	400,079	467,124
Due In More Than One Year	184,681	3,414,279	3,598,960
<i>Total Liabilities</i>	<u>392,116</u>	<u>4,188,797</u>	<u>4,580,913</u>
Deferred Inflows of Resources			
Property Taxes	406,886	0	406,886
Net Position			
Net Investment in Capital Assets	1,482,271	6,564,594	8,046,865
Restricted for:			
Street Construction	698,863	0	698,863
Police Protection	57,736	0	57,736
Fire Protection	108,989	0	108,989
Community Development	1,000,247	0	1,000,247
Capital Projects	2,542,415	0	2,542,415
Nonexpendable	251,268	0	251,268
Unrestricted	383,325	1,702,081	2,085,406
<i>Total Net Position</i>	<u>\$6,525,114</u>	<u>\$8,266,675</u>	<u>\$14,791,789</u>

See accompanying notes to the basic financial statements

City of Wellston, Ohio
Statement of Activities
For the Year Ended December 31, 2013

	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities				
General Government	\$679,403	\$37,081	\$59,080	\$0
Security of Persons and Property	1,200,362	68,720	117,187	0
Transportation	217,274	0	260,316	0
Leisure Time Activities	5,290	17,260	0	0
Public Health Services	12,964	0	3,381	0
Community Environment	674,304	0	473,598	0
Interest and Fiscal Charges	6,548	0	0	0
<i>Total Governmental Activities</i>	<u>2,796,145</u>	<u>123,061</u>	<u>913,562</u>	<u>0</u>
Business-Type Activities				
Water	1,304,060	1,626,356	0	250,000
Sewer	1,050,278	1,101,203	0	0
Garbage	272,492	353,843	0	0
<i>Total Business-Type Activities</i>	<u>2,626,830</u>	<u>3,081,402</u>	<u>0</u>	<u>250,000</u>
<i>Totals</i>	<u>\$5,422,975</u>	<u>\$3,204,463</u>	<u>\$913,562</u>	<u>\$250,000</u>

General Revenues

Property Taxes Levied for:

Property and Other Taxes Levied for General Purposes

Property and Other Taxes Levied for Fire Protection

Income Taxes Levied for General Purposes

Grants and Entitlements not Restricted to Specific Programs

Interest

Miscellaneous

Total General Revenues

Change in Net Position

Net Position Beginning of Year

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
(\$583,242)	\$0	(\$583,242)
(1,014,455)		(1,014,455)
43,042	0	43,042
11,970	0	11,970
(9,583)		(9,583)
(200,706)	0	(200,706)
(6,548)	0	(6,548)
(1,759,522)	0	(1,759,522)
0	572,296	572,296
0	50,925	50,925
0	81,351	81,351
0	704,572	704,572
(1,759,522)	704,572	(1,054,950)
179,398	0	179,398
271,039	0	271,039
1,137,156	0	1,137,156
132,550	0	132,550
65,527	0	65,527
92,060	66,129	158,189
1,877,730	66,129	1,943,859
118,208	770,701	888,909
6,406,906	7,495,974	13,902,880
\$6,525,114	\$8,266,675	\$14,791,789

City of Wellston, Ohio
Balance Sheet
Governmental Funds
December 31, 2013

	General	Fire Levy	Cemetery	Housing Preservation	Permanent Investment
Assets					
Equity in Pooled Cash and					
Cash Equivalents	\$133,694	\$51,375	\$0	\$82,182	\$0
Investments in Segregated Accounts	0	0	0	0	2,433,835
Receivables:					
Accounts	0	0	0	0	0
Permissive Motor Vehicle License Tax	0	0	0	0	0
Income Tax	304,649	0	0	0	0
Property Taxes	213,575	291,239	64,720	0	0
Intergovernmental	42,510	0	0	70,129	0
Loans	0	0	0	0	0
Interfund	247,508	0	0	0	0
<i>Total Assets</i>	<u>\$941,936</u>	<u>\$342,614</u>	<u>\$64,720</u>	<u>\$152,311</u>	<u>\$2,433,835</u>
Liabilities					
Accounts Payable	\$28,644	\$4,219	\$24	\$0	\$0
Accrued Wages and Benefits Payable	5,946	3,432	0	0	0
Interfund Payable	0	0	247,508	0	0
Intergovernmental Payable	57,303	11,544	1,911	0	0
<i>Total Liabilities</i>	<u>91,893</u>	<u>19,195</u>	<u>249,443</u>	<u>0</u>	<u>0</u>
Deferred Inflows of Resources					
Property Taxes	213,575	291,239	64,720	0	0
Unavailable Revenue	28,340	0	0	30,579	0
<i>Total Deferred Inflows of Resources</i>	<u>241,915</u>	<u>291,239</u>	<u>64,720</u>	<u>30,579</u>	<u>0</u>
Fund Balances					
Nonspendable for Cemetery Perpetual Care	0	0	0	0	0
Restricted for Street Construction	0	0	0	0	0
Restricted for Police Protection	0	0	0	0	0
Restricted for Fire Protection	0	32,180	0	0	0
Restricted for Community Development	0	0	0	121,732	0
Restricted for Capital Projects	0	0	0	0	2,433,835
Assigned	14,318	0	0	0	0
Unassigned	593,810	0	(249,443)	0	0
<i>Total Fund Balances</i>	<u>608,128</u>	<u>32,180</u>	<u>(249,443)</u>	<u>121,732</u>	<u>2,433,835</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$941,936</u>	<u>\$342,614</u>	<u>\$64,720</u>	<u>\$152,311</u>	<u>\$2,433,835</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, 2013*

Other Governmental Funds	Total Governmental Funds			
		Total Governmental Fund Balances	\$4,819,896	
		<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
\$1,490,392	\$1,757,643	Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,641,889	
175,000	2,608,835			
0	0			
5,168	5,168	Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:		
0	304,649	Delinquent Property Taxes	162,648	
0	569,534	Intergovernmental Revenues	<u>156,148</u>	318,796
171,591	284,230			
152,168	152,168	Long-term liabilities, accrued interest, and vacation benefits that are not due and payable in the current period and therefore are not reported in the funds:		
0	247,508	Compensated Absences	(78,774)	
<u>\$1,994,319</u>	<u>\$5,929,735</u>	Accrued Interest Payable	(3,741)	
		Long-Term Loans Payable	<u>(172,952)</u>	<u>(255,467)</u>
\$14,601	\$47,488	Net Position of Governmental Activities		<u>\$6,525,114</u>
1,538	10,916			
0	247,508			
7,487	78,245			
<u>23,626</u>	<u>384,157</u>			
0	569,534			
97,229	156,148			
<u>97,229</u>	<u>725,682</u>			
251,268	251,268			
626,863	626,863			
57,736	57,736			
0	32,180			
829,017	950,749			
108,580	2,542,415			
0	14,318			
0	344,367			
<u>1,873,464</u>	<u>4,819,896</u>			
<u>\$1,994,319</u>	<u>\$5,929,735</u>			

See accompanying notes to the basic financial statements

City of Wellston, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2013

	General	Fire Levy	Cemetery	Housing Preservation	Permant Improvements
Revenues					
Property Taxes	\$170,432	\$249,010	\$0	\$0	\$0
Income Taxes	1,137,156	0	0	0	0
Permissive Motor Vehicle License Tax	0	0	0	0	0
Intergovernmental	132,550	49,970	0	375,991	0
Charges for Services	315	22,064	11,480	0	0
Fines and Forfeitures	44,572	0	0	0	0
Licenses and Permits	11,785	0	0	0	0
Investment Earnings	65,527	0	3,381	0	0
Rent	25,296	0	0	0	0
Contributions and Donations	0	0	0	0	0
Miscellaneous	38,542	21,027	152	0	0
<i>Total Revenues</i>	<u>1,626,175</u>	<u>342,071</u>	<u>15,013</u>	<u>375,991</u>	<u>0</u>
Expenditures					
Current:					
General Government	613,583	0	0	0	0
Security of Persons and Property	779,616	293,823	0	0	0
Transportation	0	0	0	0	0
Public Health Services	0	0	5,271	0	0
Community Environment	0	0	0	301,142	0
Debt Service:					
Principal Retirement	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0
<i>Total Expenditures</i>	<u>1,393,199</u>	<u>293,823</u>	<u>5,271</u>	<u>301,142</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>232,976</u>	<u>48,248</u>	<u>9,742</u>	<u>74,849</u>	<u>0</u>
Other Financing Sources (Uses)					
Transfers In	0	0	88,370	0	0
Proceeds of Loans	0	0	0	0	0
Transfers Out	(108,370)	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(108,370)</u>	<u>0</u>	<u>88,370</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	124,606	48,248	98,112	74,849	0
<i>Fund Balances (Deficits) Beginning of Year</i>	<u>483,522</u>	<u>(16,068)</u>	<u>(347,555)</u>	<u>46,883</u>	<u>2,433,835</u>
<i>Fund Balances (Deficits) End of Year</i>	<u>\$608,128</u>	<u>\$32,180</u>	<u>(\$249,443)</u>	<u>\$121,732</u>	<u>\$2,433,835</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, 2013*

Other Governmental Funds	Total Governmental Funds		
		Net Change in Fund Balances - Total Governmental Funds	\$71,404
		<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
		Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:	
\$0	\$419,442	Capital Assets Additions	231,978
0	1,137,156	Depreciation Expense	<u>(123,586)</u>
66,227	66,227		108,392
464,339	1,022,850		
5,780	39,639		
1,769	46,341		
0	11,785		
2,690	71,598		
0	25,296		
3,750	3,750		
32,339	92,060		
<u>576,894</u>	<u>2,936,144</u>		
		Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
		Delinquent Property Taxes	30,995
		Intergovernmental Revenues	<u>(52,786)</u>
			(21,791)
		Repayments of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	27,886
		Long-term debt proceeds are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of activities.	(63,288)
81,947	695,530		
142,821	1,216,260		
318,231	318,231		
4,446	9,717		
352,804	653,946		
		In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, interest is expended when due.	(90)
27,886	27,886		
6,458	6,458		
<u>934,593</u>	<u>2,928,028</u>	Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>(4,305)</u>
<u>(357,699)</u>	<u>8,116</u>	<i>Change in Net Position of Governmental Activities</i>	<u><u>\$118,208</u></u>
		See accompanying notes to the basic financial statements	
20,000	108,370		
63,288	63,288		
0	(108,370)		
<u>83,288</u>	<u>63,288</u>		
(274,411)	71,404		
<u>2,147,875</u>	<u>4,748,492</u>		
<u>\$1,873,464</u>	<u>\$4,819,896</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, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$186,797	\$186,797	\$170,432	(\$16,365)
Municipal Income Taxes	1,083,580	1,083,580	1,160,290	76,710
Intergovernmental	186,426	186,426	132,550	(53,876)
Charges for Services	462	462	315	(147)
Fines and Forfeitures	25,004	25,004	44,572	19,568
Licenses and Permits	3,350	3,350	11,785	8,435
Investment Earnings	65,951	65,951	65,527	(424)
Rent	46,896	46,896	25,296	(21,600)
Miscellaneous	0	14,575	38,542	23,967
<i>Total Revenues</i>	1,598,466	1,613,041	1,649,309	36,268
Expenditures				
Current:				
General Government	683,306	633,936	614,286	19,650
Security of Persons and Property	737,351	821,351	807,828	13,523
<i>Total Expenditures</i>	1,420,657	1,455,287	1,422,114	33,173
<i>Excess of Revenues Over Expenditures</i>	177,809	157,754	227,195	69,441
Other Financing Uses				
Transfers Out	(110,000)	(108,370)	(108,370)	0
<i>Net Change in Fund Balance</i>	67,809	49,384	118,825	69,441
<i>Fund Balance Beginning of Year</i>	238,453	238,453	238,453	0
Prior Year Encumbrances Appropriated	2,528	2,528	2,528	0
<i>Fund Balance End of Year</i>	\$308,790	\$290,365	\$359,806	\$69,441

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, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property and Other Taxes	\$260,555	\$260,555	\$249,010	(\$11,545)
Intergovernmental	33,703	33,703	49,970	16,267
Charges for Services	20,285	21,515	22,064	549
Miscellaneous	1,500	10,825	21,027	10,202
<i>Total Revenues</i>	316,043	326,598	342,071	15,473
Expenditures				
Current:				
Security of Persons and Property	294,326	325,098	294,466	30,632
<i>Net Change in Fund Balance</i>	21,717	1,500	47,605	46,105
<i>Fund Balance Beginning of Year</i>	601	601	601	0
Prior Year Encumbrances Appropriated	357	357	357	0
<i>Fund Balance End of Year</i>	<u>\$22,675</u>	<u>\$2,458</u>	<u>\$48,563</u>	<u>\$46,105</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)*
Cemetery Fund
For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Charges for Services	\$8,900	\$8,900	\$11,480	\$2,580
Investment Earnings	3,215	3,215	3,381	166
Miscellaneous	300	300	152	(148)
<i>Total Revenues</i>	<u>12,415</u>	<u>12,415</u>	<u>15,013</u>	<u>2,598</u>
Expenditures				
Current:				
Public Health Services	<u>0</u>	<u>5,999</u>	<u>3,366</u>	<u>2,633</u>
<i>Excess of Revenues Over Expenditures</i>	<u>12,415</u>	<u>6,416</u>	<u>11,647</u>	<u>5,231</u>
Other Financing Sources				
Transfers In	<u>0</u>	<u>0</u>	<u>88,370</u>	<u>88,370</u>
<i>Net Change in Fund Balance</i>	<u>12,415</u>	<u>6,416</u>	<u>100,017</u>	<u>93,601</u>
<i>Fund Balance Deficit Beginning of Year</i>	<u>(347,525)</u>	<u>(347,525)</u>	<u>(347,525)</u>	<u>0</u>
<i>Fund Balance Deficit End of Year</i>	<u><u>(\$335,110)</u></u>	<u><u>(\$341,109)</u></u>	<u><u>(\$247,508)</u></u>	<u><u>\$93,601</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)*
Housing Preservation Fund
For the Year Ended December 31, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$500,000	\$500,000	\$336,441	(\$163,559)
Expenditures				
Current:				
Community Environment	500,000	500,000	301,142	198,858
<i>Net Change in Fund Balance</i>	0	0	35,299	35,299
<i>Fund Balance Beginning of Year</i>	46,883	46,883	46,883	0
<i>Fund Balance End of Year</i>	<u>\$46,883</u>	<u>\$46,883</u>	<u>\$82,182</u>	<u>\$35,299</u>

See accompanying notes to the basic financial statements

City of Wellston, Ohio
Statement of Fund Net Position
Enterprise Funds
December 31, 2013

	Water	Sewer	Garbage	Total Enterprise Funds
Assets				
Current:				
Equity in Pooled Cash and Cash Equivalents	\$937,038	\$477,354	\$139,923	\$1,554,315
Accounts Receivable	225,726	217,645	8,466	451,837
Customer Deposits	175,941	0	0	175,941
<i>Total Current Assets</i>	<u>1,338,705</u>	<u>694,999</u>	<u>148,389</u>	<u>2,182,093</u>
Noncurrent:				
Non-Depreciable Capital Assets	87,929	0	0	87,929
Depreciable Capital Assets, Net	4,011,040	6,049,445	124,965	10,185,450
<i>Total Assets</i>	<u>\$5,437,674</u>	<u>\$6,744,444</u>	<u>\$273,354</u>	<u>\$12,455,472</u>
Liabilities				
Current:				
Accounts Payable	\$55,544	\$13,075	\$6,216	\$74,835
Accrued Wages and Benefits Payable	4,413	2,424	1,466	8,303
Intergovernmental Payable	45,118	17,311	8,588	71,017
Accrued Interest Payable	5,189	39,154	0	44,343
OPWC Loans Payable	36,263	1,516	0	37,779
OWDA Loans Payable	101,565	141,330	0	242,895
Compensated Absences Payable	18,627	24,070	10,708	53,405
General Obligation Bonds Payable	0	19,000	0	19,000
Revenue Bonds Payable	0	47,000	0	47,000
Customer Deposits Payable	175,941	0	0	175,941
<i>Total Current Liabilities</i>	<u>442,660</u>	<u>304,880</u>	<u>26,978</u>	<u>774,518</u>
Long-Term:				
OPWC Loans Payable	108,957	19,708	0	128,665
OWDA Loans Payable	933,636	263,244	0	1,196,880
Compensated Absences Payable	24,680	16,244	11,244	52,168
General Obligation Bonds Payable	0	548,000	0	548,000
Revenue Bonds Payable	0	1,376,000	0	1,376,000
Other Loans Payable	0	0	112,566	112,566
<i>Total Long-Term Liabilities</i>	<u>1,067,273</u>	<u>2,223,196</u>	<u>123,810</u>	<u>3,414,279</u>
<i>Total Liabilities</i>	<u>1,509,933</u>	<u>2,528,076</u>	<u>150,788</u>	<u>4,188,797</u>
Net Position				
Net Investment in Capital Assets	2,918,548	3,633,647	12,399	6,564,594
Unrestricted	1,009,193	582,721	110,167	1,702,081
<i>Total Net Position</i>	<u>\$3,927,741</u>	<u>\$4,216,368</u>	<u>\$122,566</u>	<u>\$8,266,675</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, 2013

	Water	Sewer	Garbage	Total Enterprise Funds
Operating Revenues				
Charges for Services	\$1,626,356	\$1,101,203	\$353,843	\$3,081,402
Miscellaneous	15,522	40,453	10,154	66,129
<i>Total Operating Revenues</i>	<u>1,641,878</u>	<u>1,141,656</u>	<u>363,997</u>	<u>3,147,531</u>
Operating Expenses				
Personal Services	426,619	238,302	120,163	785,084
Fringe Benefits	243,264	155,340	41,483	440,087
Contractual Services	244,128	134,471	68,464	447,063
Materials and Supplies	266,917	81,904	24,678	373,499
Depreciation	111,805	259,061	13,885	384,751
<i>Total Operating Expenses</i>	<u>1,292,733</u>	<u>869,078</u>	<u>268,673</u>	<u>2,430,484</u>
<i>Operating Income</i>	<u>349,145</u>	<u>272,578</u>	<u>95,324</u>	<u>717,047</u>
Non-Operating Revenues (Expenses)				
Loss on Disposal of Capital Assets	0	(70,659)	0	(70,659)
Capital Grants	250,000	0	0	250,000
Interest and Fiscal Charges	(11,327)	(110,541)	(3,819)	(125,687)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>238,673</u>	<u>(181,200)</u>	<u>(3,819)</u>	<u>53,654</u>
<i>Change in Net Position</i>	587,818	91,378	91,505	770,701
<i>Net Position Beginning of Year</i>	<u>3,339,923</u>	<u>4,124,990</u>	<u>31,061</u>	<u>7,495,974</u>
<i>Net Position End of Year</i>	<u>\$3,927,741</u>	<u>\$4,216,368</u>	<u>\$122,566</u>	<u>\$8,266,675</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, 2013

	Water	Sewer	Garbage	Total Enterprise Funds
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash Received from Customers	\$1,647,812	\$1,075,737	\$357,588	\$3,081,137
Other Cash Receipts	15,522	40,453	10,154	66,129
Cash Payments for Employee Services and Benefits	(666,444)	(391,144)	(165,134)	(1,222,722)
Cash Payments for Goods and Services	(502,555)	(214,557)	(87,240)	(804,352)
Utility Deposits Received	48,914	0	0	48,914
Utility Deposits Returned	(12,012)	0	0	(12,012)
<i>Net Cash Provided by Operating Activities</i>	<u>531,237</u>	<u>510,489</u>	<u>115,368</u>	<u>1,157,094</u>
Cash Flows from Capital and Related Financing Activities				
Capital Grants Received	250,000	0	0	250,000
Proceeds from OWDA Loans	85,774	0	0	85,774
Proceeds from Other Loans	0	0	138,850	138,850
Payments for Capital Acquisitions	(127,109)	0	(138,850)	(265,959)
Principal Paid on Revenue Bonds	0	(44,000)	0	(44,000)
Principal Paid on General Obligation Bonds	0	(18,000)	0	(18,000)
Principal Paid on Other Loans	0	0	(26,284)	(26,284)
Principal Paid on OWDA Loans	(112,735)	(138,271)	0	(251,006)
Principal Paid on OPWC Loans	(36,263)	(1,516)	0	(37,779)
Interest Paid on Revenue Bonds	0	(73,300)	0	(73,300)
Interest Paid on General Obligation Bonds	0	(29,200)	0	(29,200)
Interest Paid on Other Loans	0	0	(3,819)	(3,819)
Interest Paid on OWDA Loans	(12,264)	(11,187)	0	(23,451)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>47,403</u>	<u>(315,474)</u>	<u>(30,103)</u>	<u>(298,174)</u>
<i>Net Increase in Cash and Cash Equivalents</i>	578,640	195,015	85,265	858,920
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>534,339</u>	<u>282,339</u>	<u>54,658</u>	<u>871,336</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$1,112,979</u></u>	<u><u>\$477,354</u></u>	<u><u>\$139,923</u></u>	<u><u>\$1,730,256</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income	\$349,145	\$272,578	\$95,324	\$717,047
Adjustments:				
Depreciation	111,805	259,061	13,885	384,751
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	21,456	(25,466)	3,745	(265)
Increase in Accounts Payable	39,292	5,438	4,386	49,116
Decrease in Accrued Wages and Benefits Payable	(2,879)	(1,276)	(375)	(4,530)
Decrease in Contracts Payable	(48,652)	0	0	(48,652)
Increase (Decrease) in Intergovernmental Payable	17,887	(2,592)	2,710	18,005
Increase in Customer Deposits Payable	36,902	0	0	36,902
Increase (Decrease) in Compensated Absences Payable	6,281	2,746	(4,307)	4,720
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$531,237</u></u>	<u><u>\$510,489</u></u>	<u><u>\$115,368</u></u>	<u><u>\$1,157,094</u></u>

See accompanying notes to the basic financial statements

City of Wellston, Ohio
Statement of Assets and Liabilities
Agency Funds
December 31, 2013

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$26,887</u></u>
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Liabilities

Due to Others	<u><u>\$26,887</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, 2013

NOTE 1 - REPORTING ENTITY

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

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

Reporting Entity

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

City of Wellston, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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.

City of Wellston, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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

Cemetery Fund - The Cemetery Special Revenue Fund is used to account for the operation of the Ridgewood Cemetery.

Housing Preservation Fund - The Housing Preservation Special Revenue Fund is used to account for the City's Community Housing Improvement Program. Funds may be used for owner rehabilitation of single family housing units within the designated City area.

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, all liabilities and deferred inflows of resources associated with the operation of the City are included on the statement of net position. The statement of activities accounts for increases (i.e. revenues) and decreases (i.e. expenditures) in total net position.

City of Wellston, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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

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

D. Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions

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

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

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

City of Wellston, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2013, but which were levied to finance 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Unearned Revenue

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

Expenses/Expenditures

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

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

E. Budgetary Process

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

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.

City of Wellston, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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. Pooled 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 2013, 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 2013 amounted to \$65,527, which includes \$61,572 assigned from other City funds.

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

G. Receivables and Payables

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

H. Interfund Balances

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

I. Restricted Assets

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

City of Wellston, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

J. Capital Assets

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

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

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

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

K. Compensated Absences

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

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

L. Accrued Liabilities and Long-Term Obligations

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

City of Wellston, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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
Revenue Bonds	Sewer Fund
OWDA Loans	Water Fund and Sewer Fund
OPWC Loans	Water Fund and Sewer Fund
Safe Water Loans	Water Fund
General Obligation Bonds	Sewer Fund
CDBG Loans	CDBG Revolving Loan Fund

M. Fund Balance

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

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

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

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. 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.

City of Wellston, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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.

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.

P. Estimates

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

Q. Operating Revenues and Expenses

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

City of Wellston, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

R. Extraordinary and Special Items

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

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES

For 2013, the City has implemented Governmental Accounting Standard Board (GASB) *Statement No. 61, "The Financial Reporting Entity: Omnibus: an amendment of GASB Statements No. 14 and No. 34."* This statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosure requirements. The implementation of this statement did not result in any change to the City's financial statements.

NOTE 4 – FUND DEFICITS

The Cemetery Special Revenue Fund had a deficit fund balance of \$249,443 as of December 31, 2013. 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 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).

City of Wellston, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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

Net Change in Fund Balances

	General Fund	Fire Levy Fund	Cemetery Fund	Housing Preservation Fund
GAAP Basis	\$124,606	\$48,248	\$98,112	\$74,849
Net Adjustment for Revenue Accruals	23,134	0	0	(39,550)
Net Adjustment for Expenditure Accruals	(7,519)	2,169	1,905	0
Encumbrances	(21,396)	(2,812)	0	0
Budget Basis	<u>\$118,825</u>	<u>\$47,605</u>	<u>\$100,017</u>	<u>\$35,299</u>

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
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;

City of Wellston, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying amount of the City's deposits was \$6,123,621 and the bank balance was \$6,130,799. Of the bank balance, \$500,000 was covered by Federal depository insurance, \$3,520,541 was collateralized, and \$2,110,258 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 2013 for real and public utility property taxes represents collections of 2012 taxes.

2013 real property taxes are levied after October 1, 2013, on the assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2013 real property taxes are collected in and intended to finance 2014.

City of Wellston, Ohio
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For the Year Ended December 31, 2013

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. 2013 public utility property taxes which became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2014 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2013, was \$8.80 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2013 property tax receipts were based are as follows:

Real Property	\$43,849,110
Public Utility Personal Property	<u>14,740,840</u>
Total	<u><u>\$58,589,950</u></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, 2013, and for which there is an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2013 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 - INCOME TAX

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

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

Income tax proceeds are to be used for the purposes of general municipal operations, maintenance of facilities, new equipment, extension and enlargement of municipal services and facilities and capital improvements of the City of Wellston. In 2013, all proceeds were receipted into the General Fund.

City of Wellston, Ohio
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For the Year Ended December 31, 2013

NOTE 9 - RECEIVABLES

Receivables at December 31, 2013, 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 \$152,168 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 \$162,647, as well as \$146,536 of the outstanding CDBD and UDAG revolving loan receivables.

A summary of intergovernmental receivables follows:

<u>Governmental Activities:</u>	
Local Government Subsidies	\$42,510
Gasoline Tax	85,567
Motor Vehicle License Tax	32,816
Community Improvement Funding	53,208
Department of Development Grant	70,129
Total Intergovernmental Receivables	<u><u>\$284,230</u></u>

City of Wellston, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 10 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013, was as follows:

	<u>Balance</u> <u>12/31/2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2013</u>
<u>Governmental Activities:</u>				
Non-Depreciable Capital Assets:				
Land	\$103,550	\$0	\$0	\$103,550
Land Improvements	81,141	0	0	81,141
Total Non-Depreciable Capital Assets	<u>184,691</u>	<u>0</u>	<u>0</u>	<u>184,691</u>
Depreciable Capital Assets:				
Land Improvements	27,579	0	0	27,579
Buildings and Improvements	1,013,936	17,950	0	1,031,886
Equipment	191,351	23,000	0	214,351
Infrastructure	576,355	0	0	576,355
Vehicles	1,093,886	191,028	0	1,284,914
Total Depreciable Capital Assets	<u>2,903,107</u>	<u>231,978</u>	<u>0</u>	<u>3,135,085</u>
Accumulated Depreciation:				
Land Improvements	(6,205)	(1,379)	0	(7,584)
Buildings and Improvements	(498,712)	(24,169)	0	(522,881)
Equipment	(168,857)	(7,551)	0	(176,408)
Infrastructure	(249,176)	(33,307)	0	(282,483)
Vehicles	(631,351)	(57,180)	0	(688,531)
Total Accumulated Depreciation	<u>(1,554,301)</u>	<u>(123,586) *</u>	<u>0</u>	<u>(1,677,887)</u>
Total Depreciable Capital Assets, Net	<u>1,348,806</u>	<u>108,392</u>	<u>0</u>	<u>1,457,198</u>
Governmental Activities Capital Assets, Net	<u>\$1,533,497</u>	<u>\$108,392</u>	<u>\$0</u>	<u>\$1,641,889</u>

*Depreciation expense was charged to governmental activities as follows:

<u>Governmental Activities:</u>	
General Government	\$224
Security of Persons and Property	40,798
Transportation	53,669
Leisure Time Activities	5,290
Public Health Services	3,247
Community Environment	20,358
Total Depreciation Expense	<u>\$123,586</u>

City of Wellston, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

	Balance 12/31/2012	Additions	Reductions	Balance 12/31/2013
<u>Business - Type Activities:</u>				
Non Depreciable Capital Assets:				
Construction in Progress	\$767,726	\$127,109	(\$806,906)	\$87,929
Total Non Depreciable Capital Assets	<u>767,726</u>	<u>127,109</u>	<u>(806,906)</u>	<u>87,929</u>
Depreciable Capital Assets:				
Buildings and Improvements	9,973,756	806,906	0	10,780,662
Equipment	622,217	0	(75,707)	546,510
Infrastructure	5,268,221	0	0	5,268,221
Vehicles	607,169	138,850	0	746,019
Total Depreciable Capital Assets	<u>16,471,363</u>	<u>945,756</u>	<u>(75,707)</u>	<u>17,341,412</u>
Accumulated Depreciation:				
Buildings and Improvements	(4,696,143)	(259,429)	0	(4,955,572)
Equipment	(375,723)	(27,413)	5,048	(398,088)
Infrastructure	(1,120,845)	(72,933)	0	(1,193,778)
Vehicles	(583,548)	(24,976)	0	(608,524)
Total Accumulated Depreciation	<u>(6,776,259)</u>	<u>(384,751)</u>	<u>5,048</u>	<u>(7,155,962)</u>
Total Depreciable Capital Assets, Net	<u>9,695,104</u>	<u>561,005</u>	<u>(70,659)</u>	<u>10,185,450</u>
Business - Type Activities Capital Assets, Net	<u>\$10,462,830</u>	<u>\$688,114</u>	<u>(\$877,565)</u>	<u>\$10,273,379</u>

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.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 statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law enforcement and public safety employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in State and local divisions and 12 percent for law

City of Wellston, Ohio
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enforcement and public safety members. For the year ended December 31, 2013, members in state and local divisions contributed 10 percent of covered payroll while public safety and law enforcement members contributed 12.0 percent and 12.6 percent, respectively. Effective January 1, 2014, the member contribution rates law enforcement increased to 13 percent. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2013, member and employer contribution rates were consistent across all three plans.

The City's 2013 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 18.10 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. For 2013, the portion of employer contribution allocated to health care was 1.00 percent for members in the Traditional Plan and the Combined Plan. Effective January 1, 2014, the portion of employer contributions allocated to health care increased to 2 percent Employer contribution rates are actuarially determined.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2013, 2012, and 2011, were \$152,829, \$108,790, and \$109,767, respectively. For 2013, 95.97 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011. Contributions to the Member-Directed Plan for 2013 were \$5,557 made by the City and \$3,969 made by plan members.

B. Ohio Police and Fire Pension Fund

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

Funding Policy – Employer and employee contribution rates are set by the Ohio Revised Code. From January 1, 2013, thru July 1, 2013, plan members were required to contribute 10 percent of their annual covered salary. From July 2, 2013, thru December 31, 2013, plan members were required to contribute 10.75 percent of their annual covered salary. Throughout 2013, employers were required to contribute 19.5 percent and 24 percent respectively for police officers and firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. For January 1, 2013, thru May 31, 2013, the portion of employer contributions used to fund pension benefits was 14.81 percent of covered payroll for police officers and 19.31 percent of covered payroll for firefighters. For June 1, 2013, thru December 31, 2013, the portion of employer contributions used to fund pension benefits was 16.65 percent of covered payroll for police officers and 21.15 percent of covered payroll for firefighters. The City's contributions to OP&F for police and firefighters pension were \$40,497 and \$16,628 for the year ended December 31, 2013, \$32,349 and \$13,394 for the year ended December 31, 2012, and \$45,838 and \$22,073 for the year ended December 31, 2011, respectively. For 2013, 90.84 percent for police and 83.39 percent for firefighters has been contributed with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

City of Wellston, Ohio
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For the Year Ended December 31, 2013

NOTE 12 - POST-EMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description – 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 maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.10 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2013, the portion of employer contributions allocated to health care for members in the Traditional Plan and the Combined Plan was 1.0 percent. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2 percent for both plans, as recommended by the OPERS Actuary.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

City of Wellston, Ohio
Notes to the Basic Financial Statements
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The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$11,756, \$43,482, and \$43,907 respectively. For 2013, 95.97 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

B. Ohio Police and Fire Pension Fund

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F 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.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available of OP&F's website at www.op-f.org.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. Active members do not make contributions to the OPEB Plan.

OP&F 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 administrated 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 OP&F 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 January 1, 2013, thru May 31, 2013, the employer contribution allocated to the health care plan was 4.69 percent of covered payroll. For June 1, 2013, thru December 31, 2013, the employer contribution allocated to the health care plan was 2.85 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).

City of Wellston, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

The OP&F Board of Trustees also is 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 contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$12,824 and \$4,039 for the year ended December 31, 2013, \$17,126 and \$5,241 for the year ended December 31, 2012, and \$24,267 and \$8,637 for the year ended December 31, 2011. For 2013, 90.84 percent has been contributed for police and 83.39 percent has been contributed for firefighters with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Deferred Compensation Plans

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

B. Employee Insurance Benefits

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

The City provides comprehensive major medical insurance through Medical Mutual of Ohio. The total monthly premium for single coverage is \$640; for an employee and spouse coverage is \$1,281; for an employee with one child coverage is \$850; for an employee with two children coverage is \$1,059; for an employee with three or more children coverage is \$1,352; family policy with one child coverage is \$1,490; family policy with two children coverage is \$ 1,699; family policy with three or more children coverage is \$1,992. The City pays 100 percent of premiums for elected officials and 90 percent of premiums for all other employees. Premiums are paid from the same funds that pay the employees' salaries.

C. Compensated Absences

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

Sick leave is earned at the rate of three and 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.

City of Wellston, Ohio
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For the Year Ended December 31, 2013

NOTE 14 - RISK MANAGEMENT

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

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

<u>Type of Coverage</u>	<u>Limit</u>	<u>Aggregate Limit</u>
General Liability	\$1,000,000 Per Occurrence	\$1,000,000
Public Officials Liability	1,000,000 Per Occurrence	1,000,000
Auto Liability	1,000,000 Per Occurrence	
Law Enforcement Professional Liability	1,000,000 Per Occurrence	1,000,000
Employee Dishonesty	1,000,000 Per Occurrence	1,000,000
Property Damage	24,737,529	

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 2013, the City paid the state workers' compensation system a premium based on a rate per \$100 of salaries. This rate is calculated based on accidents, history, and administrative costs. The participation in this state mandated insurance fund allows the City to transfer all risk associated with workers compensation.

NOTE 15 - LONG-TERM OBLIGATIONS

Changes in the City's long-term obligations during 2013 consist of the following:

	<u>Outstanding</u>			<u>Outstanding</u>	<u>Amounts</u>
	<u>12/31/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/13</u>	<u>Due Within</u>
					<u>One Year</u>
<u>Governmental Activities:</u>					
Fire Trucks Loan - 2001 - \$221,000 - 6.04%	\$120,883	\$0	\$12,572	\$108,311	\$13,080
Police Cruisers Loan - 2013 - \$63,288 - 2.75%	0	63,288	11,981	51,307	0
Jackson County Commissioners CDBG Loan - 2003 - \$50,000 - 0%	16,667	0	3,333	13,334	3,333
Total Loans	137,550	63,288	27,886	172,952	16,413
Compensated Absences Payable	74,469	11,568	7,263	78,774	50,632
Total Governmental Activities	\$212,019	\$74,856	\$35,149	\$251,726	\$67,045

City of Wellston, Ohio
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For the Year Ended December 31, 2013

	Outstanding 12/31/12	Additions	Reductions	Outstanding 12/31/13	Amounts Due Within One Year
<u>Business-Type Activities:</u>					
<u>General Obligation Bonds</u>					
Sewer Farmers Home Administration 1993 - 5.00%	\$585,000	\$0	\$18,000	\$567,000	\$19,000
<u>Revenue Bonds</u>					
Sewer Farmers Home Administration 1993 - 5.00%	1,467,000	0	44,000	1,423,000	47,000
<u>OPWC Loans</u>					
Water Line Improvements - 1996 - 0.00%	113,750	0	32,500	81,250	32,500
South Water Sludge Basin - 2009 - 0.00%	67,733	0	3,763	63,970	3,763
Green Acres Sewer Line - 2000 - 0.00%	22,740	0	1,516	21,224	1,516
Total OPWC Loans Payable	204,223	0	37,779	166,444	37,779
<u>OWDA Loans</u>					
Water Line Improvement - 1995 - 2.00%	173,251	0	85,772	87,479	87,479
Sewer Fund - 1996 - 2.20%	193,487	0	53,777	139,710	54,966
Sewer Fund - 2001 - 2.20%	349,358	0	84,494	264,864	86,364
Water Fund - 2010 - 3.00%	74,919	0	2,724	72,195	2,724
North Water Treatment Plant - 2011 - 0%	374,597	11,196	13,105	372,688	0
Jenkins Water Tank Replacement - 2011 - 2%	439,395	3,178	11,134	431,439	11,362
Fresh Water Fund (Phase II) - 2013 - 2.79%	0	71,400	0	71,400	0
Total OWDA Loans Payable	1,605,007	85,774	251,006	1,439,775	242,895
<u>Other Loans</u>					
Garbage Fund Truck Loan - 2013 - 2.75%	0	138,850	26,284	112,566	0
Compensated Absences Payable	100,853	12,615	7,895	105,573	53,405
Total Business-Type Activities	\$3,962,083	\$237,239	\$384,964	\$3,814,358	\$400,079

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

As of December 31, 2013, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$5,978,993, with an unvoted debt margin of \$3,049,495.

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 General Fund.

City of Wellston, Ohio
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The annual requirements to retire all governmental loans outstanding as of December 31, 2013, are as follows:

Year	Principal	Interest
2014	\$16,413	\$4,209
2015	29,232	5,091
2016	30,131	4,213
2017	31,064	3,282
2018	28,682	2,229
2019-2020	\$37,430	\$2,039
	\$172,952	\$21,063

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, 2013, are:

Year	Principal	Interest
2014	\$19,000	\$28,350
2015	19,000	27,400
2016	20,000	26,450
2017	21,000	25,450
2018	23,000	24,400
2019-2023	131,000	103,750
2024-2028	167,000	67,650
2029-2032	167,000	21,400
	\$567,000	\$324,850

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, 2013, are:

Year	Principal	Interest
2014	\$47,000	\$71,150
2015	49,000	68,800
2016	51,000	66,350
2017	54,000	63,800
2018	57,000	61,100
2019-2023	327,000	260,200
2024-2028	420,000	169,500
2029-2032	418,000	53,500
	\$1,423,000	\$814,400

City of Wellston, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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, 2013 are:

<u>Year</u>	<u>Principal</u>
2014	\$37,779
2015	39,295
2016	23,045
2017	6,795
2018	6,795
2019-2023	24,879
2024-2028	18,815
2029-2030	9,041
	<u>\$166,444</u>

OWDA Loans

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

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

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

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

An OWDA loan was obtained in 2011 for replacement of the Jenkins Water Tank. Repayment will be made from user fees and a loan forgiveness grant. The loan is substantially complete, but an amortization schedule is not yet available.

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

City of Wellston, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Principal and interest requirements to retire the City's enterprise OWDA loans outstanding at December 31, 2013, are as follow:

Year	Principal	Interest
2014	\$242,895	\$18,460
2015	158,771	13,346
2016	133,334	9,911
2017	14,784	7,874
2018	15,027	7,631
2019-2023	78,943	34,396
2024-2028	85,779	27,520
2029-2033	93,329	19,960
2034-2038	101,669	11,621
2039-2042	71,156	2,710
Total	<u>\$995,687</u>	<u>\$153,429</u>

Other Loans

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

Year	Principal	Interest
2015	\$27,007	\$3,096
2016	27,750	2,353
2017	28,513	1,590
2018	29,296	806
Total	<u>\$112,566</u>	<u>\$7,845</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 \$448,061 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 17 percent of net revenues. The total principal and interest remaining to be paid on the loans is \$729,612. Principal and interest payments for the current year were \$111,892, net revenues were \$704,950 and total revenues were \$1,891,878.

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 loan 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 50 percent of net revenues. The total principal and interest remaining to be paid on the bonds and loan is \$2,656,904. Principal and interest payments for the current year were \$266,758, net revenues were \$531,639 and total revenues were \$1,141,656.

City of Wellston, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 16 - INTERFUND BALANCES

Interfund Receivable and Interfund Payable balances at December 31, 2013, consist of the following:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	<u>\$247,508</u>	<u>\$0</u>
 <u>Special Revenue Funds:</u>		
Cemetery	<u>0</u>	<u>247,508</u>
Total	<u><u>\$247,508</u></u>	<u><u>\$247,508</u></u>

The advance from the General Fund to the Cemetery Special Revenue Fund is due to a negative cash balance at year end. This advance will all be repaid in 2013.

NOTE 17 - CONTINGENT LIABILITIES

A. Litigation

The City is not currently party to legal proceedings.

B. Federal and State Grants

For the period January 1, 2013, to December 31, 2013, 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 18 - 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.

City of Wellston, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 19 – CONTRACTUAL COMMITMENTS

During 2013, the City awarded contracts for Phase II of its Water Treatment Plant Renovation project. Contractual commitments outstanding at December 31, 2013, are as follows:

<u>Project</u>	<u>Contract Amount</u>	<u>Paid as of 12/31/2013</u>	<u>Contract Remaining</u>
Design and Engineering	\$77,000	\$70,070	\$6,930
Construction	304,975	5,670	299,305
	<u>\$381,975</u>	<u>\$75,740</u>	<u>\$306,235</u>



Balestra, Harr & Scherer, CPAs, Inc.

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

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

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

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wellston, Jackson County, (the City), as of and for the year ended December 31, 2013, 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 25, 2014.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
June 25, 2014

CITY OF WELLSTON, OHIO
Schedule of Prior Audit Findings
For the Year Ended December 31, 2013

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2012-001	Noncompliance/Significant Deficiency – ORC 9.38 – Timely Deposits	Yes	
2012-002	Noncompliance – ORC 5705.41(D)(1) – Certification of Availability of Funding	Yes	
2012-003	Noncompliance/Significant Deficiency – City Ordinance 3352 – Disconnection of Delinquent Utility Accounts	Yes	
2012-004	Noncompliance/Significant Deficiency – City Ordinance 4035 – Approval of Utility Account Adjustments	Yes	
2012-005	Material Weakness – Information Technology Controls	Yes	
2012-006	Federal Noncompliance Citation – Reporting	Yes	

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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
SEPTEMBER 02, 2014**