



Dave Yost • Auditor of State

City of Wellston
Jackson County

Fiscal Emergency Termination

Local Government Services

City of Wellston, Jackson County

Fiscal Emergency Termination

Certification 3

Report on the Termination of the City of Wellston
Financial Planning and Supervision Commission 5

Section 1 - Financial Accounting and Reporting System 6

Section 2 - Correction of Fiscal Emergency Conditions and Current Existence
of Fiscal Emergency Conditions 11

Section 3 - Financial Plan Objectives 16

Section 4 - Financial Forecast 16

Disclaimer 17

Appendix A
City of Wellston Financial Forecast
For the Years Ending December 31, 2017 through December 31, 2021

This page intentionally left blank



Dave Yost • Auditor of State

CERTIFICATION

Pursuant to a request sent to the Auditor of State by the Financial Planning and Supervision Commission of the City of Wellston, the Auditor of State performed an analysis of the City of Wellston to determine whether the Commission and its functions under Chapter 118 of the Ohio Revised Code should be terminated. Based on the analysis, the Auditor of State certifies, as required by Section 118.27 of the Revised Code, that the City of Wellston no longer meets the fiscal emergency conditions set forth in Section 118.03 of the Revised Code, that the objectives of the financial recovery plan are being met, that an effective financial accounting and reporting system in accordance with Section 118.10 of the Revised Code has been implemented, and that Management has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be nonadverse. Therefore, the existence of the Financial Planning and Supervision Commission of the City of Wellston and its role in the operation of the City of Wellston is terminated as of July 21, 2017.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted to Connie Pelletier, Mayor of the City of Wellston; Christopher Brenner, Council President; John Kasich, Governor; Timothy Keen, Director of the Office of Budget and Management; Josh Mandel, Treasurer of State; Jon Husted, Secretary of State; and Clyde Holdren, Jackson County Auditor.

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

DAVE YOST
Auditor of State

July 21, 2017

This page intentionally left blank

City of Wellston, Jackson County
Report on the Termination of the City of Wellston
Financial Planning and Supervision Commission

Report on the Termination of the Wellston Financial Planning and Supervision Commission

At the request of the Financial Planning and Supervision Commission (the Commission) of the City of Wellston, Jackson County, Ohio, as provided by Section 118.27(B) of the Ohio Revised Code, the Auditor of State has performed an analysis in order to determine whether the Commission and its functions under Chapter 118 of the Revised Code should be terminated.

Guidelines for performing such an analysis are set forth in Section 118.27(A) of the Revised Code, which states that:

“A Financial Planning and Supervision Commission with respect to a municipality...and its functions under this chapter shall continue in existence until such time as a determination is made pursuant to division (B) of this section that the municipality has done all of the following: (1) planned, and is in the process of good faith implementation of, an effective financial accounting and reporting system in accordance with Section 118.10 of the Revised Code, and it is reasonably expected that such implementation will be completed within two years; (2) corrected and eliminated or has planned and is in the process of good faith implementation of correcting and eliminating all the fiscal emergency conditions determined pursuant to Section 118.04 of the Revised Code, and no new fiscal emergency conditions have occurred; (3) met the objectives of the financial plan described in Section 118.06 of the Revised Code; and (4) the municipal corporation...prepares a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State...”.

Results of our work under Section 118.27(A) of the Revised Code are as follows:

Pages six through eleven of the report indicate that the City has effectively implemented a financial accounting and reporting system in accordance with Section 118.10(A) of the Revised Code.

All fiscal emergency conditions have been corrected and eliminated and no new fiscal emergency conditions exist under Section 118.04 of the Revised Code. This analysis can be found beginning on page eleven.

We have reviewed the objectives of the financial plan and determined that the City has met the objectives in accordance with Section 118.06 of the Revised Code. Specific conclusions can be found on page sixteen.

We examined and issued a non-adverse report on the five-year forecast prepared by the City. The forecast and our report can be found in Appendix A.

Based on this analysis, the Auditor of State’s Office has determined that the Financial Planning and Supervision Commission and its functions may be terminated.

It is understood that this report’s determination is for the use of the Financial Planning and Supervision Commission of the City of Wellston, the Auditor of State of Ohio, the Governor of Ohio, the Mayor of the City of Wellston, and others as designated by the Auditor of State and is not to be used for any other purpose. Our procedures and findings follow.

Section 1 - Financial Accounting and Reporting System

When a City is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the City's financial accounting and reporting system. The Auditor of State, in accordance with Section 118.10(A) of the Revised Code assessed the methods, accuracy, and legality of the accounts, records, files, and reports of the City of Wellston (the City) and issued a Report on Accounting Methods, dated April 10, 2012. The report identified areas where the City's financial accounting and reporting system were not in compliance with Section 117.43 of the Revised Code and the requirements of the Auditor of State.

The criteria for termination of the Commission include a determination by the Auditor of State that an effective financial accounting and reporting system has been implemented, or is in the process of implementation, and is expected to be completed within two years. This determination is based on management providing a summary of the actions taken to address the issues identified in the Report on Accounting Methods. We confirmed whether the actions taken by management were sufficient to correct these issues identified in the Report on Accounting Methods. A summary of each area of noncompliance identified in the Report on Accounting Methods and the status of each corrective action is presented below:

Accounting Ledgers

Auditor of State Comment from Report on Accounting Methods

The City does not have a disaster recovery plan. A disaster recovery plan identifies how the City would restore operations, including information technology and accounting functions if the city would experience a serious incident (flood, explosion, computer malfunction, accident, grievous act) which prevents it from continuing normal operations. The City should develop and implement a disaster recovery plan.

Implemented

City Council passed Ordinance 4168 on March 21, 2013. The Ordinance institutes a written disaster recovery plan that identifies how the City would restore operations if the City would experience a serious incident. The plan addresses common terminology, preventative measures, a readiness plan, offsite locations, and an emergency contact.

Auditor of State Comment from Report on Accounting Methods

The City has not adopted a public records policy in accordance with Ohio Revised Code §149.43. The City should develop and adopt a public records policy pursuant to Ohio Revised Code §149.43.

Implemented

City Council passed Ordinance 4168 on March 21, 2013. The Ordinance institutes a written public records policy in accordance with Ohio Revised Code §149.43. The City has posted the public records policy on the City notices bulletin board on the first floor of the City building.

City of Wellston, Jackson County
Report on the Termination of the City of Wellston
Financial Planning and Supervision Commission

Revenue Activity

Auditor of State Comment from Report on Accounting Methods

The City does not have any written policies or procedures for the handling of monies that are paid to the various Departments in the City. The City needs to establish comprehensive policies and procedures addressing receipt activity, including but not limited to, documentation, verification, bank deposits, posting, collections, and the safeguarding of receipts until deposited.

Implemented

City Council passed Ordinance 4168 on March 21, 2013. The Ordinance institutes written policies and procedures addressing receipt activity.

Auditor of State Comment from Report on Accounting Methods

The Water Advisory Board needs to adopt comprehensive guidelines and policies addressing the process of appeal to the Board, circumstances for which an appeal will be considered, and the remedies which the Board can apply to appeals.

Implemented

The City Council has disbanded the Water Advisory Board

Purchasing Process

Auditor of State Comment from Report on Accounting Methods

The original purchase order is not sent to the vendor. The purchase order should be mailed or faxed to the vendor.

Implemented

The City Auditor has implemented procedures that require that a copy of the purchase order be provided to all vendors.

Auditor of State Comment from Report on Accounting Methods

The City does not utilize the Auditor of State Findings for Recovery Database when entering into all contracts. Section 9.24, Revised Code, prohibits any State agency or political subdivision from awarding a contract for goods, services, or construction, paid in whole or in part with State funds, to any person against whom a finding for recovery has been issued by the Auditor of State, if that finding is unresolved. The City should verify vendors against the State's database of findings for recovery before entering into a contract for good, services, or construction, paid for in whole or in part with State funds.

Implemented

The City Auditor now uses the Auditor of State Findings for Recovery Database to verify that vendors do not have any outstanding findings for recovery before entering into contracts. Verifications are retained in the City Auditor's office for the annual financial audit.

City of Wellston, Jackson County
Report on the Termination of the City of Wellston
Financial Planning and Supervision Commission

Auditor of State Comment from Report on Accounting Methods

The City does not have a formal purchasing policy or purchasing procedures. A comprehensive purchasing policy for the City should be developed, adopted by ordinance, and distributed to all Departments.

Implemented

City Council passed Ordinance 4168 on March 21, 2013. The Ordinance institutes a written purchasing policy which documents purchasing procedures and has been distributed to all departments.

Auditor of State Comment from Report on Accounting Methods

The City has not adopted a ceiling for blanket purchase orders pursuant to Ohio Revised Code Section 5705.41(D). City Council should adopt a ceiling for the amount a blanket purchase order can be issued.

Implemented

City Council passed Ordinance 4168 on March 21, 2013. The Ordinance sets forth the ceiling for blanket purchase orders at \$25,000.

Auditor of State Comment from Report on Accounting Methods

The City does not track expenditures against blanket purchase orders. Each Department should maintain an itemized statement of expenditures made against each blanket purchase order and this information should be provided to the City Auditor.

Implemented

The City now keeps blanket purchase orders to a minimum. Blanket purchase orders are limited mainly to utilities and fuel. The City Auditor's office tracks amounts spent against blanket purchase orders and provides the reports to the department heads monthly.

Cash Disbursements

Auditor of State Comment from Report on Accounting Methods

The City should develop comprehensive policies and procedures for cash disbursements including the staff positions and their functions. The document should be kept on file in the City Auditor's office. The document should be reviewed periodically to ensure policies and procedures are followed and is amended and updated periodically.

Implemented

City Council passed Ordinance 4168 on March 21, 2013. The Ordinance sets forth the cash disbursements procedures including staff positions and their functions

Auditor of State Comment from Report on Accounting Methods

The City Auditor authorizes payment of City obligations when there is sufficient cash in the treasury to cover the obligations. In addition to sufficient cash in the treasury, there should be a determination of sufficient appropriations and fund balances in the fund or funds from which the obligation is to be paid in order to avoid deficit cash balances.

City of Wellston, Jackson County
Report on the Termination of the City of Wellston
Financial Planning and Supervision Commission

Implemented

The City Auditor monitors appropriations and fund balances and only authorizes payments to be made if there is sufficient cash in the treasury, and sufficient appropriations and fund balances in the fund or funds from which the obligation is to be paid.

Auditor of State Comment from Report on Accounting Methods

Invoices are mailed to either the originating Department or the City Auditor's office. The City Auditor should require all invoices to be mailed to the City Auditor's office. Invoices should be copied and sent to the appropriate Department for approval and returned along with the packing slip and any other supporting documentation to the City Auditor.

Implemented

City Council passed Ordinance 4168 on March 21, 2013. The Ordinance sets forth the policies and procedures for the purchasing process including the receipt and verification of all invoices.

Auditor of State Comment from Report on Accounting Methods

Any time an invoice is received that is greater than the amount of the purchase order, a "Then and Now" certification by the City Auditor should be attached to the voucher packet.

Implemented

When an invoice is received that is greater than the amount of the purchase order, the City Auditor prepares a "Then and Now" certificate for the difference and attaches it to the voucher packet.

Payroll Processing

Auditor of State Comment from Report on Accounting Methods

The City does not have formal written policies or procedures regarding the payroll process. The City Auditor should document its payroll procedures and maintain them in the City Auditor's office.

Implemented

The City Auditor's office has prepared written policies and procedures for the payroll process, and the document is maintained in the City's Auditor's office.

Capital Assets and Supplies Inventory

Auditor of State Comment from Report on Accounting Methods

The City does not have written policies and procedures for capital assets and the City does not annually verify the existence of capital assets. The City should prepare and adopt a comprehensive capital asset policy that should address such things as valuing donated assets, assigning salvage values, establishing capitalization thresholds, and determining the estimated useful life of an asset. The City should also prepare written capital asset procedures that include documentation for each asset and prescribe how accountability will be maintained.

City of Wellston, Jackson County
Report on the Termination of the City of Wellston
Financial Planning and Supervision Commission

Implemented

City Council passed Ordinance 3576 on July 31, 2005. The Ordinance addresses valuing donated assets, assigning salvage values, establishing capitalization thresholds, and determining the useful life of assets. City Council passed Ordinance 4168 on March 21, 2013. The Ordinance institutes a written procedure for tracking capital assets and maintaining accountability.

Auditor of State Comment from Report on Accounting Methods

The City does not have written policies and procedures to account for consumable inventory. The City should prepare a policy for consumable inventory. The policy should include an annual year-end physical inventory. Procedures for performing the inventory should also be developed, documented, and maintained in the office of the Director of Finance.

Implemented

City Council passed Ordinance 4168 on March 21, 2013. The Ordinance institutes a written policy for consumable inventories.

Auditor of State Comment from Report on Accounting Methods

The City does not have a formal written capitalization threshold but in practice the City generally uses \$10,000 as the capitalization threshold. Assets that have a value of less than the minimum value are not capitalized. The City should adjust the capitalization threshold value or establish some other method for accounting for and tracking capital assets below the minimum threshold.

Implemented

City Council passed Ordinance 3576 on July 21, 2005 which sets forth \$10,000 as the minimum threshold for capitalization.

Auditor of State Comment from Report on Accounting Methods

The City uses Excel spreadsheets to account for and track its capital assets. The use of spreadsheets does not ensure the integrity of the data and spreadsheets increases the risk that a capital assets record may be deleted and not detected in a reasonable period of time. The City should develop or purchase a capital asset accounting system that meets the accounting and reporting requirement of the City.

Implemented

City Council passed Ordinance 3576 on July 21, 2005 and Ordinance 4168 on March 21, 2013 which set forth capital asset tracking, accounting and reporting policies. The City has contracted with a third party to maintain capital assets. The City provides the third party with additions and deletions for the year, and the third party prepares reports that the City utilizes for tracking and financial reporting.

Cash Management and Investing

Auditor of State Comment from Report on Accounting Methods

The City does not post interest to the Street Construction and Maintenance or the State Highway special revenue funds as required by Article XII, Section 5a, Ohio Constitution. The City should allocate interest to the required funds.

City of Wellston, Jackson County
Report on the Termination of the City of Wellston
Financial Planning and Supervision Commission

Implemented

The City now posts interest to the Street Construction and Maintenance and the State Highway special revenue funds as required by Article XII, Section 5a, Ohio Constitution.

Auditor of State Comment from Report on Accounting Methods

Blank checks are stored in the City Auditor's office, in plain sight. The City should keep blank checks in a safe or locked file cabinet.

Implemented

The City auditor has developed and implemented a policy and procedure manual that requires that all blank checks be maintained in a secure, locked cabinet in the City Auditor's office.

Financial Reporting

Auditor of State Comment from Report on Accounting Methods

At the time the annual financial report is filed with the Auditor of State, the City Auditor must publish in the newspaper notice of the completion of the report and that the report is available for inspection. The City has not published completion of the report in the newspaper for the past several years.

Implemented

The City now publishes notice of completion of filing of the annual financial report in the newspaper.

Audit Report and Management Letters

The City Council and Officials receive a compliance and management letter at the conclusion of each annual audit.

The management letter noted one non-compliance issue, which was ensuring that City depositories are maintaining adequate securities for the deposits and made one recommendation regarding the placement of long outstanding checks into unclaimed monies.

The City is in the process of addressing the non-compliance issue and recommendation. These are not issues that would prevent termination of the Financial Planning and Supervision Commission.

Section 2 - Correction of Fiscal Emergency Conditions and Current Existence of Fiscal Emergency Conditions

Under Section 118.27(A)(2) of the Ohio Revised Code, the City shall have corrected or eliminated or have planned and be in the process of good faith implementation of actions to correct and eliminate all of the fiscal emergency conditions that existed when declared in fiscal emergency and no new fiscal emergency conditions have occurred in order to be terminated from fiscal emergency. Our analysis of the six fiscal emergency conditions described in Section 118 of the Revised Code is presented below:

City of Wellston, Jackson County
 Report on the Termination of the City of Wellston
 Financial Planning and Supervision Commission

Condition One - Default on Any Debt Obligation

Section 118.03(A)(1) of the Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a default on any debt obligation for more than thirty days.

A summary of the City’s outstanding debt as of December 31, 2016, is as follows:

<u>Debt Issue</u>	<u>Year Issued</u>	<u>Interest Rate</u>	<u>Issue Amount</u>
Governmental Activities			
Fire Trucks Loan	2014	3.00%	\$160,000
Fire Trucks Loan	2001	3.95%	221,000
Fire Department Renovation Loan	2016	3.38%	90,250
Police Cruisers Loan	2013	2.75%	63,288
Jackson County Commissioners CDBG Loan	2003	0.00%	50,000
Business Type Activities			
Sewer Farmets Home Administration	1993	5.00%	798,000
Sewer Farmets Home Administration	1993	5.00%	2,000,000
South Water Sludge Basin	2009	0.00%	75,259
Green Acres Sewer Line	2000	0.00%	60,640
Sewer OWDA	2001	2.20%	1,221,145
Water OWDA	2010	3.00%	81,729
North Water Treatment Plant	2011	0.00%	778,922
Jenkins Water Tank Replacement	2011	2.00%	741,664
Fresh Water Fund (Phase II)	2013	2.79%	75,000
Garbage Truck Loan	2013	2.75%	138,850

We reviewed the outstanding indebtedness as of December 31, 2016. The City had \$3,119,795 in outstanding debt at December 31, 2016, and had made all debt payments due as of that date.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(1) of the Revised Code. No default on any debt obligation for more than thirty days existed at December 31, 2016.

Condition Two - Payment of All Payroll

Section 118.03(A)(2) of the Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a failure for lack of cash in the funds to make payment of all payroll to employees of the municipal corporation in the amounts and at the times required by laws, ordinances, resolutions, or agreements, which failure of payment has continued:

- a. For more than thirty days after such time for payment, or
- b. Beyond a period of extension, or beyond the expiration of ninety days from the original time for payment, whichever first occurs, if the time for payment has been extended for more than thirty days by the written consent of at least two-thirds of the employees affected by such failure to pay, acting individually or by their duly authorized representatives.

City of Wellston, Jackson County
Report on the Termination of the City of Wellston
Financial Planning and Supervision Commission

We reviewed the payroll records of the City as of December 31, 2016. We reviewed Council minutes, ordinances, resolutions, and had discussions with the Finance Director to determine the employees of the City, pay rates, frequency of payroll, and whether any extensions for the payment of payroll existed. We reviewed the payroll reports and the payroll bank statement to determine whether City employees had been paid within the time specified by Sections 118.03(A)(2)(a) and (b) of the Revised Code. We determined that adequate cash was in the bank account and fund balances to cover payroll.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(2) of the Revised Code as of December 31, 2016. All employees had been paid in amounts and at the times required by ordinance.

Condition Three - Increase in Minimum Tax Levy

Section 118.03(A)(3) of the Revised Code defines a fiscal emergency condition as:

An increase, by action of the county budget commission pursuant to division (D) of Section 5705.31 of the Revised Code, in the minimum levy of the municipal corporation for the current or next fiscal year which results in a reduction in the minimum levies for one or more other subdivisions or taxing districts.

We confirmed with the Jackson County Budget Commission whether there had been an increase, pursuant to division (D) of Section 5705.31 of the Revised Code, in the minimum levy of the City for 2016, which resulted in a reduction in the minimum levies for one or more other subdivisions or taxing districts. The confirmation received from the Jackson County Budget Commission indicated that the Commission had not taken any action for tax year 2016 to increase the inside millage of the City.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(3) of the Revised Code as of December 31, 2016.

Condition Four - Past Due Accounts Payable from the General Fund and all Funds

Section 118.03(A)(4) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which all accounts that, at the end of its preceding fiscal year, were due and payable from the general fund and that either had been due and payable at least thirty days at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, including, but not limited to, final judgments, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities and including any interest and penalties thereon, less the year end balance in the general fund, exceeded one-sixth of the general fund budget for the year, or in which all accounts that, at the end of its preceding fiscal year, were due and payable from all funds of the municipal corporation and that either had been due and payable for at least thirty days at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, less the year end balance in the general fund and in the respective special funds lawfully available to pay such accounts, excluded one-sixth of the available revenues during the preceding fiscal year, excluding nonrecurring receipts, of the general fund and of all special funds from which such accounts lawfully are payable.

The City had no accounts payable at December 31, 2016 that had been due and payable at least thirty days.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(4) of the Ohio Revised Code as of December 31, 2016. There are no accounts payable in excess of the available fund balance.

Condition Five - Deficit Fund Balances

Section 118.03(A)(5) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which the aggregate of deficit amounts of all deficit funds at the end of its preceding fiscal year, less the total of any year end balance in the general fund and in any special fund that may be transferred as provided in Section 5705.14 of the Revised Code to meet such deficit, exceeded one-sixth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund.

We computed the adjusted aggregate sum of all funds at December 31, 2016, by subtracting all accounts payable and encumbrances from the year end cash fund balance of each fund. We determined there were no deficit funds.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(5) of the Revised Code as there were no deficit fund balances as of December 31, 2016.

Condition Six - Treasury Balances

Section 118.03(A)(6) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which, at the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of the municipal corporation minus outstanding checks and warrants were less in amount than the aggregate of the positive balances of the general fund and those special funds the purposes of which the unsegregated treasury is held to meet and such deficiency exceeded one-sixth of the total amount received into the unsegregated treasury during the preceding fiscal year.

We verified the City's reconciled bank balance to its cash summary by fund for all funds as of December 31, 2016, which included subtracting reconciling factors to arrive at the treasury balance. We then determined the aggregate sum of all positive fund cash balances, the purpose of which the unsegregated treasury is held to meet, to determine the treasury deficit. No further calculations were necessary because the treasury balance equaled the sum of all fund cash balances.

City of Wellston, Jackson County
 Report on the Termination of the City of Wellston
 Financial Planning and Supervision Commission

Schedule I

Treasury Balances
 Ohio Revised Code Section 118.03(A)(6)
 As of December 31, 2016

	<u>Amounts at December 31, 2016</u>
Bank Cash Balance	
Corporate Account	\$4,401,523
Permanent Investment	2,433,835
Cemetery Perpetual Care	198,448
CDBG Program Income	44,764
Cemetery CDs	52,000
Mine Reclamation CD	2,000
Business Incubator	98,599
<i>Total Bank Cash</i>	<u>7,231,169</u>
<i>Adjustments for:</i>	
Outstanding Checks	(9,965)
Deposits in Transit	(53)
Unposted Interest	(578)
<i>Total Adjustments</i>	<u>(10,596)</u>
<i>Total Treasury Balance</i>	<u>7,220,573</u>
Less: Positive Cash Fund Balances	
General	909,599
Fire	48,663
Street	252,876
Cemetery	34,827
Recreation	1,380
State Highway Improvement	28,558
CDBG Program Income	43,859
County Sales Tax	361,962
Street Levy	201,166
Fire Levy	561
Downtown Business Incubator	98,590
McNally	162,108
DARE	149
Police Auxillary	420
CHIS Program	200
Harvey Wells Project	2
Income Tax	388

(continued)

City of Wellston, Jackson County
 Report on the Termination of the City of Wellston
 Financial Planning and Supervision Commission

Schedule I

Treasury Balances
 Ohio Revised Code Section 118.03(A)(6)
 As of December 31, 2016 (continued)

	Amounts at December 31, 2016
Police Department Special Programs	1,447
DUI Enforcement and Education	482
Drug Enforcement and Education	1,777
Fire Department Special Programs	2,527
Wastewater System	200,000
Ridgewood Capital Improvement	23,421
Permanent Investment	2,433,835
Water	446,524
North Water Capital	302,846
South Water Capital	161,181
Water Meter Deposit	231,847
Sewer	451,037
North Sewer Capital	281,624
Garbage	261,314
State Fire Loss	24,135
Cemetery Perpetual Care	251,268
Total Positive Balances	7,220,573
Treasury Deficiency	\$0

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(6) of the Revised Code as of December 31, 2016. The treasury balance less the positive fund cash balances as of December 31, 2016, did not exceed one-sixth of the treasury receipts for the year.

Section 3 - Financial Plan Objectives

We obtained a copy of the financial plan of the City and determined whether the objectives of the plan have been met. Those objectives identified in the financial plan include the following:

- 1) Eliminate the fiscal emergency conditions which were determined by the Auditor of State, pursuant to Section 118.04 of the Revised Code;
- 2) Balance the budgets, avoid future deficits in any fund, and maintain current payments of all accounts;
- 3) Develop an effective financial accounting and reporting system; and
- 4) Prepare a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State.

All objectives of the financial plan have been met.

City of Wellston, Jackson County
Report on the Termination of the City of Wellston
Financial Planning and Supervision Commission

Section 4 - Financial Forecast

Financial forecasting is an important management tool to assist the City in making sound financial decisions for avoiding a fiscal crisis in the future. A five-year forecast is required under Section 118.27(A)(3)(d) of the Revised Code. After examining the financial forecast, the Auditor of State rendered a non-adverse report. The financial forecast is contained in Appendix A.

DISCLAIMER

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

This page intentionally left blank

APPENDIX A

**City of Wellston
Jackson County**

Financial Forecast

For the Years Ending December 31, 2017 through December 31, 2021

This page intentionally left blank

City of Wellston, Ohio

Table of Contents

Auditor's Report.....	A3
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis For the Years Ended December 31, 2014, Through 2016, Actual; and Ending December 31, 2017, Through 2021, Forecasted:	
General Fund	A4
Fire Fund	A10
Street Fund	A12
Cemetery Fund	A14
Water Fund	A16
Sewer Fund.....	A18
Garbage Fund	A20
Summary of Significant Accounting Policies and Forecast Assumptions	A22

This page intentionally left blank



Dave Yost • Auditor of State

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

Based upon the requirement set forth in section 118.27(A)(3)(d) of the Ohio Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the accompanying forecasted statements of revenues, expenditures, expenses, and changes in fund balance of the various funds of the City of Wellston, for the five years ending December 31, 2021. These statements are presented on the budget basis of accounting used by the City of Wellston rather than on generally accepted accounting principles. The City of Wellston's management is responsible for the forecast. Our responsibility is to determine whether the City has met the criteria that allows for the fiscal emergency to be terminated.

Based on our examination of the accompanying forecast, there is nothing in the forecast nor has anything come to our attention that indicates the fiscal emergency should not be terminated. However, some assumptions inevitably will not materialize and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast and the variations may be material.

This report is intended solely for the use of the City of Wellston and the Financial Planning and Supervision Commission of Wellston and should not be used for any other purpose. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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

DAVE YOST
Auditor of State

March 31, 2017

City of Wellston - Jackson County
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2014 through 2016, Actual
and Ending December 31, 2017 through 2021, Forecasted
General Fund

	Actual 2014	Actual 2015	Actual 2016
Revenues			
Real Property Taxes	\$156,000	\$156,000	\$162,000
Municipal Income Taxes	1,138,000	1,250,000	1,322,000
Personal Property Taxes	1,000	1,000	0
Intergovernmental	175,000	129,000	128,000
Charges for Services	15,000	15,000	29,000
Municipal Court Fines and Fees	28,000	37,000	38,000
Interest	67,000	64,000	55,000
Fees, Licenses, and Permits	11,000	6,000	4,000
Indirect Cost Allocation	0	0	64,000
Other	53,000	56,000	54,000
<i>Total Revenues</i>	<u>1,644,000</u>	<u>1,714,000</u>	<u>1,856,000</u>
Expenditures			
Current:			
Police Department			
Personal Services	427,000	502,000	524,000
Fringe Benefits	247,000	280,000	274,000
Contractual Services	69,000	75,000	90,000
Materials & Supplies	39,000	30,000	33,000
Capital Outlay	0	0	4,000
Total Police Department	<u>785,000</u>	<u>890,000</u>	<u>928,000</u>
Mayor			
Personal Services	27,000	27,000	27,000
Fringe Benefits	32,000	37,000	27,000
Contractual Services	3,000	2,000	2,000
Total Mayor	<u>62,000</u>	<u>66,000</u>	<u>56,000</u>
Auditor			
Personal Services	103,000	102,000	106,000
Fringe Benefits	52,000	54,000	52,000
Contractual Services	3,000	2,000	2,000
Materials & Supplies	1,000	1,000	1,000
Miscellaneous	0	1,000	0
Total Auditor	<u>\$159,000</u>	<u>\$160,000</u>	<u>\$161,000</u>

Forecasted 2017	Forecasted 2018	Forecasted 2019	Forecasted 2020	Forecasted 2021
\$157,000	\$157,000	\$157,000	\$157,000	\$157,000
1,300,000	1,300,000	1,300,000	1,300,000	1,300,000
0	0	0	0	0
113,000	113,000	113,000	113,000	113,000
27,000	27,000	27,000	27,000	27,000
40,000	40,000	40,000	40,000	40,000
52,000	52,000	52,000	52,000	52,000
4,000	4,000	4,000	4,000	4,000
64,000	64,000	64,000	64,000	64,000
8,000	8,000	8,000	8,000	8,000
<u>1,765,000</u>	<u>1,765,000</u>	<u>1,765,000</u>	<u>1,765,000</u>	<u>1,765,000</u>
554,000	560,000	561,000	562,000	563,000
299,000	310,000	327,000	345,000	366,000
103,000	107,000	111,000	115,000	119,000
33,000	34,000	35,000	36,000	37,000
0	0	0	0	0
<u>992,000</u>	<u>1,014,000</u>	<u>1,037,000</u>	<u>1,061,000</u>	<u>1,088,000</u>
28,000	28,000	28,000	28,000	28,000
25,000	25,000	26,000	29,000	31,000
2,000	2,000	2,000	2,000	2,000
<u>55,000</u>	<u>55,000</u>	<u>56,000</u>	<u>59,000</u>	<u>61,000</u>
107,000	109,000	110,000	111,000	112,000
52,000	52,000	55,000	58,000	61,000
3,000	3,000	3,000	3,000	3,000
11,000	11,000	11,000	11,000	11,000
0	0	0	0	0
<u>\$173,000</u>	<u>\$175,000</u>	<u>\$179,000</u>	<u>\$183,000</u>	<u>\$187,000</u>

City of Wellston - Jackson County
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2014 through 2016, Actual
and Ending December 31, 2017 through 2021, Forecasted
General Fund

	Actual 2014	Actual 2015	Actual 2016
Treasurer			
Personal Services	\$5,000	\$5,000	\$5,000
Fringe Benefits	24,000	28,000	20,000
Contractual Services	1,000	0	0
Total Treasurer	30,000	33,000	25,000
Council			
Personal Services	19,000	19,000	19,000
Fringe Benefits	4,000	4,000	3,000
Total Council	23,000	23,000	22,000
Law Director			
Personal Services	32,000	32,000	33,000
Fringe Benefits	32,000	33,000	31,000
Contractual Services	20,000	0	19,000
Total Law Director	84,000	65,000	83,000
Service Director			
Personal Services	23,000	23,000	23,000
Fringe Benefits	18,000	20,000	7,000
Contractual Services	6,000	5,000	4,000
Materials & Supplies	1,000	1,000	1,000
Miscellaneous	0	0	13,000
Total Service Director	48,000	49,000	48,000
General Civil			
Fringe Benefits	2,000	2,000	2,000
Contractual Services	221,000	242,000	216,000
Materials & Supplies	23,000	17,000	19,000
Capital Outlay	0	0	5,000
Total General Civil	\$246,000	\$261,000	\$242,000

Forecasted 2017	Forecasted 2018	Forecasted 2019	Forecasted 2020	Forecasted 2021 (continued)
\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
18,000	18,000	20,000	22,000	24,000
1,000	1,000	1,000	1,000	1,000
24,000	24,000	26,000	28,000	30,000
19,000	19,000	19,000	19,000	19,000
4,000	4,000	4,000	4,000	4,000
23,000	23,000	23,000	23,000	23,000
33,000	33,000	33,000	33,000	33,000
31,000	31,000	33,000	36,000	39,000
25,000	10,000	10,000	25,000	10,000
89,000	74,000	76,000	94,000	82,000
24,000	24,000	24,000	24,000	24,000
7,000	8,000	8,000	8,000	8,000
6,000	6,000	6,000	6,000	6,000
3,000	4,000	4,000	4,000	4,000
67,000	68,000	69,000	70,000	71,000
107,000	110,000	111,000	112,000	113,000
2,000	2,000	2,000	2,000	2,000
227,000	235,000	243,000	251,000	259,000
26,000	27,000	28,000	29,000	30,000
150,000	0	0	0	0
\$405,000	\$264,000	\$273,000	\$282,000	\$291,000

(continued)

City of Wellston - Jackson County
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2014 through 2016, Actual
and Ending December 31, 2017 through 2021, Forecasted
General Fund

	Actual 2014	Actual 2015	Actual 2016
<i>Total Expenditures</i>	<u>\$1,437,000</u>	<u>\$1,547,000</u>	<u>\$1,565,000</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>207,000</u>	<u>167,000</u>	<u>291,000</u>
Other Financing Sources (Uses)			
Insurance Recoveries	0	0	13,000
Transfers Out	(44,000)	(120,000)	0
Advances In	0	130,000	298,000
Advances Out	0	(394,000)	(38,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(44,000)</u>	<u>(384,000)</u>	<u>273,000</u>
<i>Changes in Fund Balance</i>	163,000	(217,000)	564,000
<i>Fund Balance Beginning of Year</i>	<u>381,000</u>	<u>544,000</u>	<u>348,000</u>
<i>Fund Balance End of Year</i>	<u><u>\$544,000</u></u>	<u><u>\$327,000</u></u>	<u><u>\$912,000</u></u>

Forecasted 2017	Forecasted 2018	Forecasted 2019	Forecasted 2020	Forecasted 2021
\$1,868,000	\$1,739,000	\$1,781,000	\$1,842,000	\$1,875,000
(103,000)	26,000	(16,000)	(77,000)	(110,000)
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
(103,000)	26,000	(16,000)	(77,000)	(110,000)
912,000	809,000	835,000	819,000	742,000
\$809,000	\$835,000	\$819,000	\$742,000	\$632,000

City of Wellston - Jackson County
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2014 through 2016, Actual
and Ending December 31, 2017 through 2021, Forecasted
Fire Fund

	Actual 2014	Actual 2015	Actual 2016
Revenues			
Real Property Taxes	\$243,000	\$239,000	\$250,000
Personal Property Taxes	14,000	7,000	0
Intergovernmental	42,000	43,000	340,000
Charges for Services	39,000	48,000	105,000
Other	13,000	6,000	8,000
<i>Total Revenues</i>	<u>351,000</u>	<u>343,000</u>	<u>703,000</u>
Expenditures			
Personal Services	168,000	166,000	169,000
Fringe Benefits	51,000	54,000	56,000
Contractual Services	47,000	46,000	46,000
Training School	11,000	15,000	359,000
Materials & Supplies	43,000	57,000	149,000
Capital Outlay	1,000	45,000	5,000
Debt Service			
Principal and Interest	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Expenditures</i>	<u>321,000</u>	<u>383,000</u>	<u>784,000</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	30,000	(40,000)	(81,000)
Other Financing Sources (Uses)			
Proceeds of Loans	<u>0</u>	<u>0</u>	<u>90,000</u>
<i>Changes in Fund Balance</i>	<u>30,000</u>	<u>(40,000)</u>	<u>9,000</u>
<i>Fund Balance Beginning of Year</i>	<u>47,000</u>	<u>77,000</u>	<u>37,000</u>
<i>Fund Balance (Deficit) End of Year</i>	<u><u>\$77,000</u></u>	<u><u>\$37,000</u></u>	<u><u>\$46,000</u></u>

Forecasted 2017	Forecasted 2018	Forecasted 2019	Forecasted 2020	Forecasted 2021
\$243,000	\$243,000	\$243,000	\$243,000	\$243,000
0	0	0	0	0
38,000	38,000	38,000	38,000	38,000
103,000	103,000	103,000	103,000	103,000
0	0	0	0	0
<u>384,000</u>	<u>384,000</u>	<u>384,000</u>	<u>384,000</u>	<u>384,000</u>
174,000	177,000	179,000	181,000	183,000
54,000	57,000	58,000	59,000	60,000
52,000	54,000	56,000	58,000	60,000
50,000	65,000	65,000	65,000	65,000
44,000	45,000	46,000	47,000	48,000
0	0	0	0	0
<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>
<u>380,000</u>	<u>404,000</u>	<u>410,000</u>	<u>416,000</u>	<u>422,000</u>
4,000	(20,000)	(26,000)	(32,000)	(38,000)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>4,000</u>	<u>(20,000)</u>	<u>(26,000)</u>	<u>(32,000)</u>	<u>(38,000)</u>
<u>46,000</u>	<u>50,000</u>	<u>30,000</u>	<u>4,000</u>	<u>(28,000)</u>
<u>\$50,000</u>	<u>\$30,000</u>	<u>\$4,000</u>	<u>(28,000)</u>	<u>(66,000)</u>

City of Wellston - Jackson County
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2014 through 2016, Actual
and Ending December 31, 2017 through 2021, Forecasted
Street Fund

	Actual 2014	Actual 2015	Actual 2016
Revenues			
Intergovernmental	\$283,000	\$283,000	\$292,000
Other	4,000	5,000	7,000
<i>Total Revenues</i>	<u>287,000</u>	<u>288,000</u>	<u>299,000</u>
Expenditures			
Personal Services	91,000	95,000	121,000
Fringe Benefits	37,000	40,000	39,000
Contractual Services	5,000	6,000	51,000
Materials & Supplies	52,000	64,000	50,000
Operating Supplies	0		26,000
Capital Outlay	1,000	43,000	174,000
<i>Total Expenditures</i>	<u>186,000</u>	<u>248,000</u>	<u>435,000</u>
<i>Changes in Fund Balance</i>	101,000	40,000	(136,000)
<i>Fund Balance Beginning of Year</i>	<u>246,000</u>	<u>347,000</u>	<u>387,000</u>
<i>Fund Balance End of Year</i>	<u><u>\$347,000</u></u>	<u><u>\$387,000</u></u>	<u><u>\$251,000</u></u>

Forecasted 2017	Forecasted 2018	Forecasted 2019	Forecasted 2020	Forecasted 2021
\$288,000 0	\$288,000 0	\$288,000 0	\$288,000 0	\$288,000 0
288,000	288,000	288,000	288,000	288,000
123,000	125,000	126,000	127,000	128,000
73,000	58,000	61,000	64,000	68,000
44,000	45,000	46,000	47,000	48,000
53,000	55,000	57,000	59,000	61,000
0	0	0	0	0
0	0	0	0	0
293,000	283,000	290,000	297,000	305,000
(5,000)	5,000	(2,000)	(9,000)	(17,000)
251,000	246,000	251,000	249,000	240,000
\$246,000	\$251,000	\$249,000	\$240,000	\$223,000

City of Wellston - Jackson County
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2014 through 2016, Actual
and Ending December 31, 2017 through 2021, Forecasted
Cemetery Fund

	Actual 2014	Actual 2015	Actual 2016
Revenues			
Real Property Taxes	\$52,000	\$51,000	\$53,000
Intergovernmental	9,000	9,000	8,000
Charges for Services	12,000	10,000	13,000
Interest	3,000	3,000	3,000
<i>Total Revenues</i>	<u>76,000</u>	<u>73,000</u>	<u>77,000</u>
Expenditures			
Personal Services	16,000	23,000	30,000
Fringe Benefits	2,000	4,000	4,000
Contractual Services	2,000	2,000	2,000
Materials & Supplies	5,000	5,000	5,000
Miscellaneous	1,000	1,000	1,000
<i>Total Expenditures</i>	<u>26,000</u>	<u>35,000</u>	<u>42,000</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	50,000	38,000	35,000
Other Financing Sources (Uses)			
Transfers In	40,000	120,000	0
<i>Changes in Fund Balance</i>	90,000	158,000	35,000
<i>Fund Balance Beginning of Year</i>	<u>(248,000)</u>	<u>(158,000)</u>	<u>0</u>
<i>Fund Balance (Deficit) End of Year</i>	<u><u>(\$158,000)</u></u>	<u><u>\$0</u></u>	<u><u>\$35,000</u></u>

Forecasted 2017	Forecasted 2018	Forecasted 2019	Forecasted 2020	Forecasted 2021
\$52,000	\$52,000	\$52,000	\$52,000	\$52,000
7,000	7,000	7,000	7,000	7,000
10,000	10,000	10,000	10,000	10,000
3,000	3,000	3,000	3,000	3,000
<u>72,000</u>	<u>72,000</u>	<u>72,000</u>	<u>72,000</u>	<u>72,000</u>
42,000	42,000	42,000	42,000	42,000
8,000	9,000	9,000	9,000	9,000
3,000	3,000	3,000	3,000	3,000
8,000	8,000	8,000	8,000	8,000
0	1,000	1,000	1,000	1,000
<u>60,000</u>	<u>63,000</u>	<u>63,000</u>	<u>63,000</u>	<u>63,000</u>
12,000	9,000	9,000	9,000	9,000
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
12,000	9,000	9,000	9,000	9,000
<u>35,000</u>	<u>47,000</u>	<u>56,000</u>	<u>65,000</u>	<u>74,000</u>
<u>\$47,000</u>	<u>\$56,000</u>	<u>\$65,000</u>	<u>\$74,000</u>	<u>\$83,000</u>

City of Wellston - Jackson County
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2014 through 2016, Actual
and Ending December 31, 2017 through 2021, Forecasted
Water Fund

	Actual 2014	Actual 2015	Actual 2016
Revenues			
Intergovernmental	\$4,000	\$0	\$0
Charges for Services	1,493,000	1,437,000	1,445,000
<i>Total Revenues</i>	<u>1,497,000</u>	<u>1,437,000</u>	<u>1,445,000</u>
Expenditures			
Personal Services	449,000	456,000	509,000
Fringe Benefits	237,000	238,000	200,000
Contractual Services	197,000	199,000	214,000
Materials & Supplies	254,000	298,000	324,000
Capital Outlay	312,000	320,000	103,000
Miscellaneous	0	4,000	1,000
Debt Service			
Principal and Interest	122,000	36,000	20,000
<i>Total Expenditures</i>	<u>1,571,000</u>	<u>1,551,000</u>	<u>1,371,000</u>
<i>Changes in Fund Balance</i>	(74,000)	(114,000)	74,000
<i>Fund Balance Beginning of Year</i>	<u>563,000</u>	<u>489,000</u>	<u>375,000</u>
<i>Fund Balance End of Year</i>	<u><u>\$489,000</u></u>	<u><u>\$375,000</u></u>	<u><u>\$449,000</u></u>

Forecasted 2017	Forecasted 2018	Forecasted 2019	Forecasted 2020	Forecasted 2021
\$0	\$0	\$0	\$0	\$0
1,761,000	1,832,000	1,903,000	1,975,000	2,026,000
1,761,000	1,832,000	1,903,000	1,975,000	2,026,000
517,000	526,000	531,000	536,000	541,000
252,000	261,000	270,000	279,000	290,000
223,000	230,000	237,000	246,000	256,000
418,000	388,000	394,000	480,000	464,000
321,000	335,000	364,000	316,000	336,000
42,000	46,000	46,000	46,000	46,000
1,773,000	1,786,000	1,841,000	1,903,000	1,933,000
(12,000)	46,000	62,000	72,000	93,000
449,000	437,000	483,000	545,000	617,000
\$437,000	\$483,000	\$545,000	\$617,000	\$710,000

City of Wellston - Jackson County

*Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2014 through 2016, Actual
and Ending December 31, 2017 through 2021, Forecasted
Sewer Fund*

	Actual 2014	Actual 2015	Actual 2016
Revenues			
Charges for Services	\$907,000	\$861,000	\$871,000
Other	8,000	22,000	22,000
<i>Total Revenues</i>	<u>915,000</u>	<u>883,000</u>	<u>893,000</u>
Expenditures			
Personal Services	242,000	254,000	276,000
Fringe Benefits	144,000	144,000	131,000
Contractual Services	119,000	141,000	151,000
Materials & Supplies	87,000	93,000	134,000
Capital Outlay	0	3,000	39,000
Debt Service			
Principal and Interest	72,000	92,000	92,000
<i>Total Expenditures</i>	<u>664,000</u>	<u>727,000</u>	<u>823,000</u>
<i>Changes in Fund Balance</i>	251,000	156,000	70,000
<i>Fund Balance Beginning of Year</i>	<u>(2,000)</u>	<u>249,000</u>	<u>405,000</u>
<i>Fund Balance End of Year</i>	<u>\$249,000</u>	<u>\$405,000</u>	<u>\$475,000</u>

Forecasted 2017	Forecasted 2018	Forecasted 2019	Forecasted 2020	Forecasted 2021
\$1,222,000	\$1,303,000	\$1,385,000	\$1,466,000	\$1,499,000
0	0	0	0	0
1,222,000	1,303,000	1,385,000	1,466,000	1,499,000
316,000	322,000	325,000	328,000	331,000
151,000	157,000	162,000	168,000	174,000
157,000	163,000	168,000	174,000	182,000
96,000	99,000	102,000	106,000	110,000
360,000	420,000	478,000	532,000	506,000
168,000	169,000	168,000	167,000	164,000
1,248,000	1,330,000	1,403,000	1,474,000	1,467,000
(26,000)	(27,000)	(18,000)	(8,000)	32,000
475,000	449,000	422,000	404,000	396,000
\$449,000	\$422,000	\$404,000	\$396,000	\$428,000

City of Wellston - Jackson County

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis

For the Years Ended December 31, 2014 through 2016, Actual

and Ending December 31, 2017 through 2021, Forecasted

Garbage Fund

	Actual 2014	Actual 2015	Actual 2016
<i>Revenues</i>			
Charges for Services	\$352,000	\$350,000	\$350,000
Other	4,000	2,000	2,000
<i>Total Revenues</i>	<u>356,000</u>	<u>352,000</u>	<u>352,000</u>
<i>Expenditures</i>			
Personal Services	118,000	121,000	123,000
Fringe Benefits	54,000	54,000	55,000
Contractual Services	74,000	74,000	109,000
Materials & Supplies	23,000	17,000	27,000
Debt Service			
Principal and Interest	30,000	30,000	30,000
<i>Total Expenditures</i>	<u>299,000</u>	<u>299,000</u>	<u>344,000</u>
<i>Changes in Fund Balance</i>	57,000	53,000	8,000
<i>Fund Balance Beginning of Year</i>	<u>140,000</u>	<u>197,000</u>	<u>250,000</u>
<i>Fund Balance End of Year</i>	<u><u>\$197,000</u></u>	<u><u>\$250,000</u></u>	<u><u>\$258,000</u></u>

Forecasted 2017	Forecasted 2018	Forecasted 2019	Forecasted 2020	Forecasted 2021
\$350,000	\$350,000	\$350,000	\$350,000	\$350,000
0	0	0	0	0
350,000	350,000	350,000	350,000	350,000
129,000	131,000	132,000	133,000	134,000
58,000	58,000	61,000	64,000	69,000
109,000	111,000	113,000	115,000	117,000
29,000	30,000	31,000	32,000	34,000
29,000	0	0	0	0
354,000	330,000	337,000	344,000	354,000
(4,000)	20,000	13,000	6,000	(4,000)
258,000	254,000	274,000	287,000	293,000
\$254,000	\$274,000	\$287,000	\$293,000	\$289,000

City of Wellston – Jackson County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2017, through 2021

Note 1 - The City

The City of Wellston (the City) is located in Southeastern Ohio in Jackson County and was incorporated as a City in 1873 under the laws of the State of Ohio. 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.

On October 1, 2009, the Auditor of State's office declared the City of Wellston to be in a state of fiscal emergency 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 the Mayor of the City, Council President, three individuals whose residency or principal place of business is within the City, and a designee from both the State Treasurer's Office and the Office of Budget and Management. The City has 120 days after the first meeting of the Commission to approve a financial recovery plan. Once the plan has been adopted, the City's discretion is limited in that all financial activity of the City must be in accordance with the plan.

The City of Wellston provides various services and consists of many different activities and smaller accounting entities. Among those included are a police force, a fire fighting force, a sewage treatment plant, a water treatment plant, a street maintenance force, and a staff to provide the necessary support to these service providers. Each of these activities and entities is under the direct control of City Council, which appropriates for, and finances, their operation.

Note 2 - Nature of Presentation

This financial forecast presents, to the best of the City's knowledge and belief, the expected revenues, expenditures, expenses, and changes in fund balances for the forecast period. Accordingly, the forecast reflects the City's judgment, as of March 31, 2017, the date of the forecast, the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

The forecast presents the funds that are significant to the operations of the City. These funds include the general fund, fire fund, street fund, cemetery fund, water fund, sewer fund, and garbage fund.

Note 3 - Summary of Significant Accounting Policies

A. Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the budget basis of accounting (non-GAAP) used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the City is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

City of Wellston – Jackson County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2017, through 2021

B. Fund Accounting

The City maintains its accounting records in accordance with the principles of “fund” accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity that stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

General Fund - The General Fund is the operating fund of the City and is used to account for and report all financial resources, except those required to be accounted for and reported in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City and/or the general laws of Ohio.

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to disbursement for specified purposes, other than for debt service or capital projects.

Debt Service Funds - Debt service funds are used to account for and report resources that are restricted, committed, or assigned to disbursement for principal, interest, and related costs.

Capital Projects Funds - Capital projects funds are used to account for and report resources that are restricted, committed, or assigned for the acquisition or construction of major capital facilities and other capital assets (other than those financed by the enterprise funds).

Permanent Funds - Permanent funds account for and report financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the City or its residents.

Proprietary Funds

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.

Internal Service Funds - Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: 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.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of the budgetary documents within an established timetable. The major documents prepared are the certificate of estimated resources and the appropriations ordinance, both of which are prepared on the budgetary basis

City of Wellston – Jackson County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2017, through 2021

of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

Estimated Resources - On or about September 1, the County Budget Commission issues an official certificate of estimated resources to the City, which states the projected receipts of each fund. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. Prior to December 31, the City must revise its budget so that total contemplated expenditures from any funds during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year if the annual appropriation for the full year is not ready for approval by City Council. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. By March 31, an annual appropriation ordinance must be legally enacted by the City Council. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances - The City uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve a portion of the applicable appropriation.

D. Property, Plant and Equipment

Capital assets acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these capital assets as the purpose of the financial statements for the governmental services is to report the expenditure of resources, not costs.

Note 4 - General Revenue Assumptions - All Funds

A. Property Taxes

Property tax revenues consist of real property, public utility real and personal property taxes. The City may request advances from the Jackson County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the City are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenues.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for residential real estate taxes. The State reimburses the City for all revenue lost due to these exemptions. The amount of the reimbursement is presented in the account “intergovernmental revenue”.

All property tax revenues are based on property valuations and levy rates. The County is required to reappraise property every six years and update the valuations every three years between the reappraisals. The last reappraisal was completed in 2011 for taxes collected in 2012. The last triennial update took place in 2014 for taxes collected in 2015 with the next reappraisal scheduled for 2017. The City’s assessed values upon which property tax receipts were based for the last four years are as follows:

City of Wellston – Jackson County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2017, through 2021

Class of Property	2014	2015	2016	2017
Real Property	\$43,849,110	\$44,653,310	\$44,870,310	\$44,836,340
Public Utility	14,740,840	15,011,190	17,277,490	16,062,820
Total Assessed Value	<u>\$58,589,950</u>	<u>\$59,664,500</u>	<u>\$62,147,800</u>	<u>\$60,899,160</u>

The property tax revenues are generated from inside and Charter millage and receipted into the general fund and the safety services fund.

The levies being collected by fund, the year approved, and the full tax rate are as follows:

Fund	Tax Levies	Full Tax Rate (Per \$1,000 of Assessed Valuation)
General Fund	Inside Ten Mill Limitation (Unvoted)	\$2.70
Fire Pension Fund	Inside Ten Mill Limitation (Unvoted)	0.30
Police Pension Fund	Inside Ten Mill Limitation (Unvoted)	0.30
Fire Equipment	Outside Ten Mill Limitation (Voted)	3.50
Fire Operating	Outside Ten Mill Limitation (Voted)	1.00
Cemetery Operating	Outside Ten Mill Limitation (Voted)	1.00
Street Maintenance	Outside Ten Mill Limitation (Voted)	2.00
Total Tax Rate		<u>\$10.80</u>

Public utility real and personal property taxes are collected and settled by the County with real estate taxes and are recorded as general property taxes. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and began a four-year phase out of the tangible personal property tax on local and inter-exchange telephone companies. Additional information on property tax revenue is included in note 5.

B. Municipal Income Taxes

The City levies and collects a municipal income tax of one percent on all salaries, wages, commissions and other compensation, and net profits earned within the City as well as income of residents earned outside of the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality to a maximum of the total amount assessed. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a final return annually. The one percent tax is for general City operations.

The City has experienced an increase in income tax collections due to increasing employment in the area. However, the City's largest employer is subject to temporary slowdowns in production which results in the reduction of hours for employees which significantly impacts income tax collections, and as a result, no increases are forecasted for the years 2017 through 2021.

City of Wellston – Jackson County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2017, through 2021

C. Intergovernmental Revenues

State law grants tax relief in the form of a 10 percent reduction in residential real property tax bills. In addition, a 2.5 percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the City for the loss of real property taxes caused by the homestead and rollback tax relief programs.

Note 5 - Specific Fund Revenue Assumptions

A. General Fund

Real Property - Real property taxes are forecasted to remain consistent from 2017 through 2021 due to uncertainty in the reappraisal by the County Auditor. Although the County updates or reappraises property values every three years, values have been stagnant and the County Auditor anticipates values to remain stagnant.

Municipal Income Tax - Income tax revenue is forecasted to remain consistent with 2016 collections, due to the difficulty to anticipate changes in employment within the City.

Intergovernmental Revenue - Intergovernmental revenues include local government monies, property tax allocations for rollback, homestead, and tangible property tax loss reimbursements, grants, and estate tax. The local government funds are distributed monthly by the State to the County and paid by the County Auditor to the City. The property tax allocations for rollback, homestead, and tangible personal property tax are received from the State and are based on information provided by the County Auditor.

The City received significant intergovernmental revenue in prior years due to the estate tax. The estate tax was phased out by the State for deaths after December 31, 2012. Due to the time needed to settle and process estates, the City still received estate tax in 2014 and 2015 in the amounts of \$36,512 and \$7,025, respectively. No estate tax was received in 2016 and no estate taxes are anticipated in 2017 and beyond.

Charges for Services – Charges for services represent revenues received from the clerk of courts processing and administrative charges, and the City’s impound lot. No increase is anticipated in these revenues.

Municipal Court Fines and Fees – Municipal court fees represent revenues received from cases prosecuted by the municipal court.

Interest - Interest receipts are expected to be minimal due to very low interest rates and a relatively static cash balance throughout the forecast period.

Fees, Licenses and Permits – Fees, licenses and permits receipts represent building and housing permits, licenses and exam fees, refuse hauling permits, a billing late fee, as well as cable franchise fees. Cable franchise fees are three percent of gross receipts collected by the cable provider. Amounts collected for the various permits, licenses and fees remain approximately the same annually throughout the forecast period.

Indirect Cost Allocation – The indirect cost allocation represents monies from other funds of the City to reimburse the general fund for administrative work done on behalf of those funds. These costs are to be reviewed by City Council each year and are subject to change, however it is not anticipated there will be any changes during the forecast period.

City of Wellston – Jackson County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2017, through 2021

Other – Other revenues consist mainly of various refunds and reimbursements which are projected to remain consistent throughout the forecast period.

B. Fire Fund

Real Property - Real property taxes are forecasted to remain consistent from 2017 through 2021 due to uncertainty in the reappraisal by the County Auditor. Although the County updates or reappraises property values every three years, values have been stagnant and the County Auditor anticipates values to remain stagnant.

Intergovernmental Revenue - Intergovernmental revenues include property tax allocations for rollback, homestead, and tangible property tax loss reimbursements, and grants. Property tax allocations for rollback, homestead, and tangible personal property tax are received from the State and are based on information provided by the County Auditor.

The City received a one-time grant in 2016 in the amount of \$300,000 to build a burn building for the fire training school. No additional grant funding is anticipated in 2017 and beyond.

Charges for Services – Charges for services include fire reports, fire calls, contracts for fire protection with neighboring townships, and the City’s fire academy. The City is expanding the offerings of the fire academy, however the financial impact of this is not able to be determined at the time of the forecast. No changes in charges for services are anticipated during the forecast period.

C. Street Fund

Intergovernmental - Intergovernmental receipts consist of motor vehicle license tax, permissive license tax, and gasoline tax. These receipts have been consistent, and are not anticipated to increase during the forecast period.

D. Cemetery Fund

Real Property - Real property taxes are forecasted to remain consistent from 2017 through 2021 due to uncertainty in the reappraisal by the County Auditor. Although the County updates or reappraises property values every three years, values have been stagnant and the County Auditor anticipates values to remain stagnant.

Intergovernmental Revenue - Intergovernmental revenues include property tax allocations for rollback, homestead, and tangible property tax loss reimbursements, and grants. Property tax allocations for rollback, homestead, and tangible personal property tax are received from the State and are based on information provided by the County Auditor.

Charges for Services – The City receives monies the sale of cemetery lots and grave opening fees. There is no anticipated change for the forecast period.

E. Water Fund

Charges for Services – The City charges for residential and commercial water service, connection fees, and water taps. In 2016 the City contracted with Ohio Rural Community Assistance Program (RCAP) to perform a rate study. RCAP analyzed the City’s infrastructure needs and developed a new rate structure for the City. In 2017, the City implemented this new rate structure. The forecast reflects the impact of the new rate structure in years 2017 through 2021.

City of Wellston – Jackson County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2017, through 2021

F. Sewer Fund

Charges for Services – The City charges for residential and commercial sewer service, connection fees, and sewer taps. In 2016 the City contracted with Ohio Rural Community Assistance Program (RCAP) to perform a rate study. RCAP analyzed the City’s infrastructure needs and developed a new rate structure for the City. In 2017, the City implemented this new rate structure. The forecast reflects the impact of the new rate structure in years 2017 through 2021.

G. Garbage Fund

Charges for Services – The City charges for residential and commercial garbage collection. The amount collected from these charges has been consistent. There is no change anticipated in the forecast period.

Note 6 - Expenditure Assumptions - All Funds

A. Personal Services

Personal services include the salaries paid to the employees and elected officials of the City. The City’s employees and elected officials are paid on a bi-weekly basis. City Council, by ordinance, sets the salary or hourly rates and other forms of compensation, such as paid leave.

The City has labor agreements with the International Brotherhood of Teamsters Local 637, Ohio Civil Service Employees Association Chapter 4010 (OCSEA), and the Wellston Fire Department. The Teamsters agreement expires on December 31, 2018. The OCSEA agreement expires on December 31, 2019. The Fire Department agreement expires on December 31, 2019. All bargaining unit employees are paid longevity based on years of service.

The current Teamsters contract provided for wage increases of 1.75 percent on January 1, 2017. The contract calls for a reopener in 2018 for wage negotiations. The current AFSCME agreement provided for wage increases of 1.75 percent on January 1, 2017 and January 1, 2018. The contract calls for a reopener in 2019 for wage negotiations. The current Fire Department contract provided for a 1.75 percent wage increase on January 1, 2017 and January 1, 2018. The contract calls for a reopener in 2019 for wage negotiations.

No increases are expected for the elected officials within the forecast period. The forecast assumes a one percent wage increases for each year not addressed in the current contracts. Each additional wage increase of one percent would increase the salaries of the City approximately \$20,000 each year.

B. Fringe Benefits

Fringe benefits include employer contributions to the State pension system, workers’ compensation, Medicare, vacation, sick leave, personal days and medical, prescription, eye care and dental health coverage.

All employees and/or elected officials, except police and fire, participate in the Ohio Public Employees Retirement System (OPERS). OPERS provides basic retirement, disability, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. Employees are required to contribute 10 percent (the maximum) of their annual salary and the City is required to contribute 14 percent (the maximum) of their annual salary.

Police and fire employees participate in the Ohio Police and Fire Retirement System (OP&F). OP&F provides basic retirement, disability, 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. Employees are required to contribute 10 percent (the maximum) of their annual salary and the City is required to contribute 19.5 percent for police and 24 percent for fire (the maximum) of their annual salary.

City of Wellston – Jackson County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2017, through 2021

Workers' compensation coverage is provided by the State of Ohio. The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. A slight increase is expected annually, based on forecasted annual salary increases.

Employees, except elected officials, are entitled to one to six weeks of vacation leave depending on length of service. Police employees earn sick leave at a rate of 4.6 hours per each eighty hour pay period. Fire fighters earn sick leave at a rate of 4.2 hours per each eighty hour pay period. OCSEA employees earn sick leave at a rate of 384 hours per each eighty hour pay period.

The City provides employee health benefits through a contract with the Teamsters Union. Insurance premiums are paid by the fund that pays the employees' salary. The City entered into a three year contract with no premium increases in 2016. Health insurance costs are forecast to be the same in 2018 as in 2017. Starting in 2019, the City's health insurance costs are forecasted to rise ten percent annually for each remaining year of the forecast period, based up the City's historical experience with health benefits.

C. Contractual Services

Contractual services include utility charges (street lighting, telephone, internet, electricity, natural gas, and garbage), postage, advertising, legal fees, auditor and treasurer fees, County jail fees, and accounting and auditing services. The City has worked to restrain spending in as many areas as possible over the last several years and plans to continue to do so in the future. However, some small increases in contractual services for are forecasted as the price of these services will likely increase over time, based on historical data.

D. Supplies and Materials

Supplies and materials expenditures include office supplies, operating supplies, fuel, information technology supplies, water and wastewater treatment supplies, and repair and maintenance costs. Supplies and materials are anticipated to increase slightly during the forecast period.

E. Capital Outlay

In 2017, the City has to repair a significant road slip at an estimated cost of \$150,000. At the time of the forecast, it is anticipated this will be paid from the General Fund. The City is seeking grant assistance, but it is unknown if any will be available. The City also intends to follow Ohio Rural Community Assistance Program (RCAP)'s recommendations for upgrades and maintenance to the water and sewer lines. These capital outlays are reflected in the Water and Sewer Funds. The forecast also reflects the purchase of some equipment each year from various departments, as the need arises.

F. Debt Service

The City has a loan for renovation of the fire station. The debt service payments are made from the Fire Department Fund. The City has various bonds and loans in the Water and Sewer Funds for system upgrades and repairs. The debt service payments are made from the Water and Sewer Funds. The City also has a loan for a garbage truck, and the debt service payments are made from the Garbage Fund.

City of Wellston – Jackson County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2017, through 2021

Principal and interest requirements to retire the debt at December 31, 2016 are as follows:

	Fire Fund	Water Fund	Sewer Fund	Garbage Fund
2017	\$6,000	\$42,000	\$168,000	\$29,000
2018	6,000	46,000	169,000	0
2019	6,000	46,000	168,000	0
2020	6,000	46,000	167,000	0
2021	6,000	46,000	164,000	0
2022-2026	86,000	229,000	824,000	0
2027-2031	0	209,000	825,000	0
2032-2036	0	179,000	165,000	0
2037-2041	0	175,000	0	0
2042	0	17,000	0	0
Total Payments	<u>\$116,000</u>	<u>\$1,035,000</u>	<u>\$2,650,000</u>	<u>\$29,000</u>

Note 7 - Contingencies

A. Litigation

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

B. Grants

The City received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position during the forecast period.



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
JULY 21, 2017**