



**bhm cpa group, inc.**  
CERTIFIED PUBLIC ACCOUNTANTS

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CITY OF WELLSTON  
JACKSON COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2023

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OHIO AUDITOR OF STATE  
KEITH FABER



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

We have reviewed the *Independent Auditor's Report* of the City of Wellston, Jackson County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2023 through December 31, 2023. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads 'Keith Faber'.

Keith Faber  
Auditor of State  
Columbus, Ohio

October 08, 2024

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**INDEPENDENT AUDITOR'S REPORT**

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

To the City Council:

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited 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, Ohio (the City), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Fire Levy funds for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2024, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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.



BHM CPA Group, Inc.  
Circleville, Ohio  
August 28, 2024

**City of Wellston, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2023*  
*Unaudited*

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The discussion and analysis of the City of Wellston's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2023. 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 2023 are as follows:

- The City's total net position increased by \$4,139,740.
- At the end of the current year, the City's governmental activities reported total net position of \$9,897,817, an increase of \$735,782 from the prior year.
- At the end of the current year, the City's business-type activities reported total net position of \$16,339,404, an increase of \$3,403,958 from the prior year.
- At the end of the current year, unassigned fund balance for the General Fund was \$633,889, a decrease from the prior year of \$52,830.

**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 non-major 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 2023?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities deferred outflows/inflows using the accrual basis of accounting similar to the accounting used by most private sector companies. This basis of accounting considers 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, 2023*  
*Unaudited*

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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 except for 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 Special Revenue Fund, and the Permanent Investment Capital Projects Fund.

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

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 an attempt to recover the costs of the services provided. For garbage operations, the City charges a flat monthly fee.

**City of Wellston, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2023*  
*Unaudited*

**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 2023 compared to 2022.

**Table 1 - Net Position**

|                                       | Governmental Activities |                    | Business-Type Activities |                     | Total               |                     |
|---------------------------------------|-------------------------|--------------------|--------------------------|---------------------|---------------------|---------------------|
|                                       | 2023                    | Restated<br>2022   | 2023                     | Restated<br>2022    | 2023                | Restated<br>2022    |
| <b>Assets</b>                         |                         |                    |                          |                     |                     |                     |
| Current and Other Assets              | \$7,248,188             | \$6,912,676        | \$6,786,083              | \$5,235,182         | \$14,034,271        | \$12,147,858        |
| Net OPEB Asset                        | 0                       | 131,602            | 0                        | 214,720             | 0                   | 346,322             |
| Capital Assets                        | 6,794,134               | 6,304,652          | 17,292,414               | 12,781,392          | 24,086,548          | 19,086,044          |
| <i>Total Assets</i>                   | <u>14,042,322</u>       | <u>13,348,930</u>  | <u>24,078,497</u>        | <u>18,231,294</u>   | <u>38,120,819</u>   | <u>31,580,224</u>   |
| <b>Deferred Outflows of Resources</b> |                         |                    |                          |                     |                     |                     |
| Pension                               | 1,412,248               | 806,572            | 1,140,635                | 397,950             | 2,552,883           | 1,204,522           |
| OPEB                                  | 218,118                 | 161,917            | 152,740                  | 17,580              | 370,858             | 179,497             |
| Asset Retirement Obligation           | 0                       | 0                  | 75,376                   | 78,130              | 75,376              | 78,130              |
| <i>Total Deferred Outflows</i>        | <u>1,630,366</u>        | <u>968,489</u>     | <u>1,368,751</u>         | <u>493,660</u>      | <u>2,999,117</u>    | <u>1,462,149</u>    |
| <b>Liabilities</b>                    |                         |                    |                          |                     |                     |                     |
| Current and Other Liabilities         | 252,045                 | 347,172            | 2,742,154                | 123,175             | 2,994,199           | 470,347             |
| Long-term Liabilities:                |                         |                    |                          |                     |                     |                     |
| Due Within One Year                   | 102,214                 | 115,468            | 298,248                  | 289,229             | 400,462             | 404,697             |
| Due in More than One Year:            |                         |                    |                          |                     |                     |                     |
| Net Pension Liability                 | 3,486,567               | 1,808,533          | 2,429,550                | 624,115             | 5,916,117           | 2,432,648           |
| Net OPEB Liability                    | 198,944                 | 250,188            | 49,537                   | 0                   | 248,481             | 250,188             |
| Other Amounts                         | 479,633                 | 540,050            | 3,571,921                | 3,738,882           | 4,051,554           | 4,278,932           |
| <i>Total Liabilities</i>              | <u>4,519,403</u>        | <u>3,061,411</u>   | <u>9,091,410</u>         | <u>4,775,401</u>    | <u>13,610,813</u>   | <u>7,836,812</u>    |
| <b>Deferred Inflows of Resources</b>  |                         |                    |                          |                     |                     |                     |
| Property Taxes                        | 642,849                 | 588,030            | 0                        | 0                   | 642,849             | 588,030             |
| Pension                               | 190,444                 | 1,023,066          | 96                       | 775,668             | 190,540             | 1,798,734           |
| OPEB                                  | 207,390                 | 257,515            | 16,338                   | 238,439             | 223,728             | 495,954             |
| Leases                                | 214,785                 | 225,362            | 0                        | 0                   | 214,785             | 0                   |
| <i>Total Deferred Inflows</i>         | <u>1,255,468</u>        | <u>2,093,973</u>   | <u>16,434</u>            | <u>1,014,107</u>    | <u>1,271,902</u>    | <u>2,882,718</u>    |
| <b>Net Position</b>                   |                         |                    |                          |                     |                     |                     |
| Net Investment in Capital Assets      | 6,267,867               | 5,744,713          | 11,520,705               | 9,322,337           | 17,788,572          | 15,067,050          |
| Restricted                            | 4,345,177               | 4,108,870          | 0                        | 214,720             | 4,345,177           | 4,323,590           |
| Unrestricted (Deficit)                | (715,227)               | (691,548)          | 4,818,699                | 3,398,389           | 4,103,472           | 2,706,841           |
| <i>Total Net Position</i>             | <u>\$9,897,817</u>      | <u>\$9,162,035</u> | <u>\$16,339,404</u>      | <u>\$12,935,446</u> | <u>\$26,237,221</u> | <u>\$22,097,481</u> |

**City of Wellston, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2023*  
*Unaudited*

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The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2023. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

In accordance with GASB 68 and GASB 75, the City’s statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan’s *change* in net pension liability (asset) and net OPEB liability (asset), respectively, not accounted for as deferred inflows/outflows.

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

For governmental activities, total assets increased mainly due to the increase in depreciable capital assets and accounts receivable. This increase was offset by decreases in net OPEB asset and non-depreciable capital assets. Property taxes receivable increased during 2023 due to an increase in the amounts certified to be collected by the County Auditor. In 2023, there were new loans given to community members to restore and rehabilitate buildings in the City, this caused an increase to loans receivable. There was an increase in materials and supplies inventory in 2023, along with an increase to prepaid items.

Liabilities increased mainly due to an increase in net pension liability. As indicated above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension and OPEB liability. This increase was offset by a decrease in unearned revenue.

For business-type activities, total assets increased, which includes a large increase in intergovernmental receivables. These increases are also due to the ongoing projects in the Water and Sewer Enterprise Funds. The increases were offset by decreases in net OPEB asset and accounts receivable. Total liabilities increased mainly due to net pension/OPEB liabilities and contracts payable. The large increase in contracts payable is due to the ongoing projects in the Water and Sewer Enterprise Funds.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2023 and 2022.

**City of Wellston, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2023*  
*Unaudited*

**Table 2 - Changes in Net Position**

|                                        | Governmental       | Business-           | Total               | Restated           | Restated            | Total               |
|----------------------------------------|--------------------|---------------------|---------------------|--------------------|---------------------|---------------------|
|                                        | Activities         | Type                |                     | Governmental       | Business-           |                     |
|                                        | 2023               | 2023                | 2023                | 2022               | 2022                | 2022                |
| <b>Revenues</b>                        |                    |                     |                     |                    |                     |                     |
| Program Revenues:                      |                    |                     |                     |                    |                     |                     |
| Charges for Services                   | \$652,410          | \$4,491,790         | \$5,144,200         | \$429,289          | \$3,831,510         | \$4,260,799         |
| Operating Grants and Contributions     | 798,510            | 0                   | 798,510             | 1,037,712          | 757,109             | 1,794,821           |
| Capital Grants and Contributions       | 579,811            | 3,153,497           | 3,733,308           | 1,061,522          | 0                   | 1,061,522           |
| <i>Total Program Revenues</i>          | <u>2,030,731</u>   | <u>7,645,287</u>    | <u>9,676,018</u>    | <u>2,528,523</u>   | <u>4,588,619</u>    | <u>7,117,142</u>    |
| General Revenues:                      |                    |                     |                     |                    |                     |                     |
| Property Taxes                         | 766,569            | 0                   | 766,569             | 671,995            | 0                   | 671,995             |
| Income Taxes                           | 1,561,194          | 0                   | 1,561,194           | 1,341,739          | 0                   | 1,341,739           |
| Permissive Motor Vehicle License Taxes | 80,496             | 0                   | 80,496              | 89,583             | 0                   | 89,583              |
| Grants and Entitlements                | 129,597            | 0                   | 129,597             | 189,633            | 0                   | 189,633             |
| Investment Earnings and Other Interest | 296,845            | 0                   | 296,845             | 45,119             | 0                   | 45,119              |
| Gain on Sale of Capital Assets         | 0                  | 52,500              | 52,500              | 12,000             | 0                   | 12,000              |
| Miscellaneous                          | 74,914             | 0                   | 74,914              | 93,217             | 13,049              | 106,266             |
| Total General Revenues                 | <u>2,909,615</u>   | <u>52,500</u>       | <u>2,962,115</u>    | <u>2,443,286</u>   | <u>13,049</u>       | <u>2,456,335</u>    |
| Total Revenues                         | <u>4,940,346</u>   | <u>7,697,787</u>    | <u>12,638,133</u>   | <u>4,971,809</u>   | <u>4,601,668</u>    | <u>9,573,477</u>    |
| <b>Program Expenses</b>                |                    |                     |                     |                    |                     |                     |
| General Government                     | 1,193,707          | 0                   | 1,193,707           | 833,772            | 0                   | 833,772             |
| Security of Persons and Property:      |                    |                     |                     |                    |                     |                     |
| Police                                 | 1,508,387          | 0                   | 1,508,387           | 1,059,399          | 0                   | 1,059,399           |
| Fire                                   | 673,438            | 0                   | 673,438             | 522,160            | 0                   | 522,160             |
| Transportation                         | 566,019            | 0                   | 566,019             | 460,304            | 0                   | 460,304             |
| Public Health Services                 | 113,704            | 0                   | 113,704             | 234,961            | 0                   | 234,961             |
| Leisure Time Activities                | 71,896             | 0                   | 71,896              | 68,338             | 0                   | 68,338              |
| Community Environment                  | 59,440             | 0                   | 59,440              | 184,171            | 0                   | 184,171             |
| Interest and Fiscal Charges            | 17,973             | 0                   | 17,973              | 20,447             | 0                   | 20,447              |
| Water                                  | 0                  | 2,563,100           | 2,563,100           | 0                  | 2,505,624           | 2,505,624           |
| Sewer                                  | 0                  | 1,455,589           | 1,455,589           | 0                  | 1,061,178           | 1,061,178           |
| Garbage                                | 0                  | 275,140             | 275,140             | 0                  | 309,749             | 309,749             |
| <i>Total Program Expenses</i>          | <u>4,204,564</u>   | <u>4,293,829</u>    | <u>8,498,393</u>    | <u>3,383,552</u>   | <u>3,876,551</u>    | <u>7,260,103</u>    |
| Change in Net Position                 | 735,782            | 3,403,958           | 4,139,740           | 1,588,257          | 725,117             | 2,313,374           |
| Net Position Beginning of Year         | <u>9,162,035</u>   | <u>12,935,446</u>   | <u>22,097,481</u>   | <u>7,573,778</u>   | <u>12,210,329</u>   | <u>19,784,107</u>   |
| Net Position End of Year               | <u>\$9,897,817</u> | <u>\$16,339,404</u> | <u>\$26,237,221</u> | <u>\$9,162,035</u> | <u>\$12,935,446</u> | <u>\$22,097,481</u> |

***Governmental Activities***

Operating grants and contributions and capital grants and contributions accounted for 27.9 percent of total governmental revenues. Property taxes revenue provided 15.5 percent of total governmental revenues, and 31.6 percent was generated from income taxes. Income taxes, property taxes, and unrestricted grants and entitlements combined, provided 49.7 percent of the City's total governmental revenues.

Charges for services increased while revenues for operating grants, contributions, and interest and capital grants and contributions decreased.

The City's security of persons and property-police program accounted for the majority of the City's governmental expenses. This was an increase from 2022.

***Business-Type Activities***

The City's business-type activities are for water, sewer, and garbage services. During 2023, program revenues exceeded expenses.

**City of Wellston, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2023*  
*Unaudited*

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The minimum water rate is \$12.75 for the first one thousand gallons of water. Sewer fees are calculated on the amount of water used. The minimum sewer rate is \$20.75 per month. Garbage fees are assessed at a rate of a \$16 per month for a one-yard container and varies for larger capacity containers. The increases in the water and sewer rates contributed to the increase in charges for services in these funds.

### **The City's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in accessing the City's financing requirements. In particular, unassigned fund balance serves as a useful measure of the City's net resources available for spending at the end of the year.

#### ***General Fund***

The General Fund is the primary operating fund of the City. At the end of 2023, fund balance was \$1,101,830. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 24.9 percent of total General Fund expenditures, while total fund balance represents 43.3 percent of that same amount.

#### ***Other Major Governmental Funds***

The fund balance of the Fire Levy Special Revenue Fund decreased in 2023.

#### ***Enterprise Funds***

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

The City's enterprise funds are the Water, Sewer, and Garbage Funds. The Water Fund's net position decreased while the sewer and garbage funds increased.

### **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.

During the course of 2023, the City amended its budget several times, due to revenues being received in the middle of the year and revenues being reduced throughout the year. All recommendations for a budget change came from the City Auditor to the Finance Committee of Council for review before going to the whole Council for Ordinance enactment on the change.

Actual revenues exceeded final estimates. The original appropriations were increased in 2023; however, the actual expenditures were less than the final budget for expenditures. Due to the actual expenditures being less than the final appropriations, this shows the City has spent less than appropriated. Due to the City spending more than they have received in revenues for the year, the fund balance has decreased.

**City of Wellston, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2023*  
*Unaudited*

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**Capital Assets and Debt Administration**

***Capital Assets***

Total capital assets for the governmental activities, net of accumulated depreciation/amortization, increased from the prior year as a result of additions of assets exceeding the depreciation/amortization. These additions include the recreation complex, railroad depot renovations, garage updates, land, traffic light upgrades, park and cemetery additions, fire equipment, and a police vehicle.

Total capital assets for the business-type assets, net of accumulated depreciation/amortization, increased from the prior year as a result of additions outpacing current year annual depreciation/amortization. These additions include land and sewer equipment. Additions to construction in progress include the construction of the Water System Improvements, ODOT TAP Water Basin, New York and Broadway Sewer, ODOT TAP Storm water, and 12<sup>th</sup> Street Storm Water. For additional information, see Note 10.

***Long-term Obligations***

As of December 31, 2023, long-term obligations include OPWC loans, OWDA loans, other loans, leases, net pension/OPEB liabilities, compensated absences, and an asset retirement obligation.

The City has loans for fire department renovations, fire trucks, a pumper truck, and air packs paid from the County Sales Tax, Fire Levy, and Fire Special Revenue Funds. Long-term obligations paid by the Enterprise Funds include other loans, OPWC loans, OWDA loans, net pension/OPEB liabilities, compensated absences, and an asset retirement obligation.

For additional information on debt, see Note 15 to the basic financial statements.

**Current Issues**

The City continues to follow the policies that brought fiscal solvency and continues to look for new ways to improve efficiencies and services to the citizens of Wellston.

**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, 2023

|                                                 | Governmental<br>Activities | Business-Type<br>Activities | Total*              |
|-------------------------------------------------|----------------------------|-----------------------------|---------------------|
| <b>Assets</b>                                   |                            |                             |                     |
| Equity in Pooled Cash and Cash Equivalents      | \$1,893,809                | \$4,870,665                 | \$6,764,474         |
| Investments                                     | 2,632,283                  | 0                           | 2,632,283           |
| Accrued Interest Receivable                     | 15,276                     | 0                           | 15,276              |
| Accounts Receivable                             | 251,593                    | 632,139                     | 883,732             |
| Permissive Motor Vehicle License Tax Receivable | 6,150                      | 0                           | 6,150               |
| Intergovernmental Receivable                    | 468,894                    | 1,165,822                   | 1,634,716           |
| Income Taxes Receivable                         | 485,222                    | 0                           | 485,222             |
| Property Taxes Receivable                       | 895,977                    | 0                           | 895,977             |
| Loans Receivable                                | 240,859                    | 0                           | 240,859             |
| Leases Receivable                               | 214,785                    | 0                           | 214,785             |
| Prepaid Items                                   | 43,620                     | 51,768                      | 95,388              |
| Materials and Supplies Inventory                | 99,720                     | 65,689                      | 165,409             |
| Non-Depreciable Capital Assets                  | 1,278,623                  | 5,648,502                   | 6,927,125           |
| Depreciable Capital Assets, net                 | 5,515,511                  | 11,643,912                  | 17,159,423          |
| <i>Total Assets</i>                             | <u>14,042,322</u>          | <u>24,078,497</u>           | <u>38,120,819</u>   |
| <b>Deferred Outflows of Resources</b>           |                            |                             |                     |
| Pension                                         | 1,412,248                  | 1,140,635                   | 2,474,767           |
| OPEB                                            | 218,118                    | 152,740                     | 366,974             |
| Asset Retirement Obligation                     | 0                          | 75,376                      | 75,376              |
| <i>Total Deferred Outflows of Resources</i>     | <u>1,630,366</u>           | <u>1,368,751</u>            | <u>2,917,117</u>    |
| <b>Liabilities</b>                              |                            |                             |                     |
| Accounts Payable                                | 82,707                     | 195,839                     | 278,546             |
| Accrued Wages Payable                           | 35,096                     | 21,020                      | 56,116              |
| Contracts Payable                               | 39,631                     | 2,095,518                   | 2,135,149           |
| Retainage Payable                               | 0                          | 60,423                      | 60,423              |
| Intergovernmental Payable                       | 47,377                     | 30,540                      | 77,917              |
| Accrued Interest Payable                        | 9,408                      | 19,522                      | 28,930              |
| Unearned Revenue                                | 37,826                     | 0                           | 37,826              |
| Refundable Deposits                             | 0                          | 319,292                     | 319,292             |
| Long-Term Liabilities:                          |                            |                             |                     |
| Due Within One Year                             | 102,214                    | 298,248                     | 400,462             |
| Due in More than One Year:                      |                            |                             |                     |
| Net Pension Liability                           | 3,486,567                  | 2,429,550                   | 5,916,117           |
| Net OPEB Liability                              | 198,944                    | 49,537                      | 248,481             |
| Other Amounts Due in More than One Year         | 479,633                    | 3,571,921                   | 4,051,554           |
| <i>Total Liabilities</i>                        | <u>4,519,403</u>           | <u>9,091,410</u>            | <u>13,610,813</u>   |
| <b>Deferred Inflows of Resources</b>            |                            |                             |                     |
| Property Taxes                                  | 642,849                    | 0                           | 642,849             |
| Pension                                         | 190,444                    | 96                          | 112,424             |
| OPEB                                            | 207,390                    | 16,338                      | 219,844             |
| Leases                                          | 214,785                    | 0                           | 214,785             |
| <i>Total Deferred Inflows of Resources</i>      | <u>1,255,468</u>           | <u>16,434</u>               | <u>1,189,902</u>    |
| <b>Net Position</b>                             |                            |                             |                     |
| Net Investment in Capital Assets                | 6,267,867                  | 11,520,705                  | 17,788,572          |
| Restricted for:                                 |                            |                             |                     |
| Street Construction                             | 551,585                    | 0                           | 551,585             |
| Recreation                                      | 24,527                     | 0                           | 24,527              |
| Police Protection                               | 104,035                    | 0                           | 104,035             |
| Fire Protection                                 | 175,961                    | 0                           | 175,961             |
| Cemetery                                        | 86,395                     | 0                           | 86,395              |
| Community Development                           | 668,119                    | 0                           | 668,119             |
| Capital Projects                                | 2,480,298                  | 0                           | 2,480,298           |
| Cemetery Perpetual Care                         | 251,268                    | 0                           | 251,268             |
| Unclaimed Monies                                | 2,989                      | 0                           | 2,989               |
| Unrestricted (Deficit)                          | (715,227)                  | 4,818,699                   | 4,103,472           |
| <i>Total Net Position</i>                       | <u>\$9,897,817</u>         | <u>\$16,339,404</u>         | <u>\$26,237,221</u> |

\*After deferred outflows and deferred inflows related to the change in internal proportionate share of pension and OPEB related items have been eliminated.

See accompanying notes to the basic financial statements

**City of Wellston, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2023

|                                       | Program Revenues          |                           |                                              |                           |
|---------------------------------------|---------------------------|---------------------------|----------------------------------------------|---------------------------|
|                                       | Expenses                  | Charges for Services      | Operating Grants, Contributions and Interest |                           |
| <b>Governmental Activities</b>        |                           |                           |                                              |                           |
| General Government                    | \$1,193,707               | \$303,842                 | \$269,787                                    | \$18,750                  |
| Security of Persons and Property:     |                           |                           |                                              |                           |
| Police                                | 1,508,387                 | 127,230                   | 80,005                                       | 28,850                    |
| Fire                                  | 673,438                   | 190,167                   | 87,164                                       | 10,369                    |
| Transportation                        | 566,019                   | 0                         | 345,440                                      | 87,018                    |
| Public Health Services                | 113,704                   | 16,046                    | 12,127                                       | 0                         |
| Leisure Time Activities               | 71,896                    | 0                         | 3,195                                        | 336,505                   |
| Community Environment                 | 59,440                    | 15,125                    | 792                                          | 98,319                    |
| Interest                              | 17,973                    | 0                         | 0                                            | 0                         |
| <i>Total Governmental Activities</i>  | <u>4,204,564</u>          | <u>652,410</u>            | <u>798,510</u>                               | <u>579,811</u>            |
| <b>Business-Type Activities</b>       |                           |                           |                                              |                           |
| Water                                 | 2,563,100                 | 2,037,355                 | 0                                            | 28,969                    |
| Sewer                                 | 1,455,589                 | 2,016,346                 | 0                                            | 3,124,528                 |
| Garbage                               | 275,140                   | 438,089                   | 0                                            | 0                         |
| <i>Total Business-Type Activities</i> | <u>4,293,829</u>          | <u>4,491,790</u>          | <u>0</u>                                     | <u>3,153,497</u>          |
| <b>Totals</b>                         | <u><u>\$8,498,393</u></u> | <u><u>\$5,144,200</u></u> | <u><u>\$798,510</u></u>                      | <u><u>\$3,733,308</u></u> |

**General Revenues**

Property Taxes Levied for:

    General Purposes

    Fire Protection

    Cemetery

    Streets

Income Taxes Levied for General Purposes

Permissive Motor Vehicle License Taxes

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings and Other Interest

Gain on Sale of Capital Assets

Miscellaneous

*Total General Revenues*

*Change in Net Position*

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

*Net Position End of Year*

See accompanying notes to the basic financial statements

Net (Expense) Revenue  
and Changes in Net Position

| Governmental<br>Activities | Business-Type<br>Activities | Total               |
|----------------------------|-----------------------------|---------------------|
| (\$601,328)                | \$0                         | (\$601,328)         |
| (1,272,302)                | 0                           | (1,272,302)         |
| (385,738)                  | 0                           | (385,738)           |
| (133,561)                  | 0                           | (133,561)           |
| (85,531)                   | 0                           | (85,531)            |
| 267,804                    | 0                           | 267,804             |
| 54,796                     | 0                           | 54,796              |
| (17,973)                   | 0                           | (17,973)            |
| <u>(2,173,833)</u>         | <u>0</u>                    | <u>(2,173,833)</u>  |
| 0                          | (496,776)                   | (496,776)           |
| 0                          | 3,685,285                   | 3,685,285           |
| 0                          | 162,949                     | 162,949             |
| <u>0</u>                   | <u>3,351,458</u>            | <u>3,351,458</u>    |
| <u>(2,173,833)</u>         | <u>3,351,458</u>            | <u>1,177,625</u>    |
| 287,576                    | 0                           | 287,576             |
| 291,036                    | 0                           | 291,036             |
| 59,426                     | 0                           | 59,426              |
| 128,531                    | 0                           | 128,531             |
| 1,561,194                  | 0                           | 1,561,194           |
| 80,496                     | 0                           | 80,496              |
| 129,597                    | 0                           | 129,597             |
| 296,845                    | 0                           | 296,845             |
| 0                          | 52,500                      | 52,500              |
| 74,914                     | 0                           | 74,914              |
| <u>2,909,615</u>           | <u>52,500</u>               | <u>2,962,115</u>    |
| 735,782                    | 3,403,958                   | 4,139,740           |
| <u>9,162,035</u>           | <u>12,935,446</u>           | <u>22,097,481</u>   |
| <u>\$9,897,817</u>         | <u>\$16,339,404</u>         | <u>\$26,237,221</u> |

**City of Wellston, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2023*

|                                                                           | General            | Fire<br>Levy     | Permanent<br>Investment | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---------------------------------------------------------------------------|--------------------|------------------|-------------------------|--------------------------------|--------------------------------|
| <b>Assets</b>                                                             |                    |                  |                         |                                |                                |
| Equity in Pooled Cash and Cash Equivalents                                | \$957,495          | \$97,168         | \$0                     | \$836,157                      | \$1,890,820                    |
| Restricted Cash and Cash Equivalents                                      | 2,989              | 0                | 0                       | 0                              | 2,989                          |
| Investments                                                               | 0                  | 0                | 2,433,835               | 198,448                        | 2,632,283                      |
| Receivables:                                                              |                    |                  |                         |                                |                                |
| Accrued Interest                                                          | 15,055             | 0                | 0                       | 221                            | 15,276                         |
| Accounts                                                                  | 170,489            | 0                | 0                       | 81,104                         | 251,593                        |
| Interfund                                                                 | 55,064             | 0                | 0                       | 0                              | 55,064                         |
| Income Taxes                                                              | 485,222            | 0                | 0                       | 0                              | 485,222                        |
| Property Taxes                                                            | 335,529            | 337,804          | 0                       | 222,644                        | 895,977                        |
| Intergovernmental                                                         | 75,316             | 11,966           | 0                       | 381,612                        | 468,894                        |
| Permissive Motor Vehicle License Taxes                                    | 0                  | 0                | 0                       | 6,150                          | 6,150                          |
| Loans                                                                     | 0                  | 0                | 0                       | 240,859                        | 240,859                        |
| Leases                                                                    | 214,785            | 0                | 0                       | 0                              | 214,785                        |
| Prepaid Items                                                             | 35,176             | 4,339            | 0                       | 4,105                          | 43,620                         |
| Materials and Supplies Inventory                                          | 1,622              | 0                | 0                       | 98,098                         | 99,720                         |
| <i>Total Assets</i>                                                       | <u>\$2,348,742</u> | <u>\$451,277</u> | <u>\$2,433,835</u>      | <u>\$2,069,398</u>             | <u>\$7,303,252</u>             |
| <b>Liabilities</b>                                                        |                    |                  |                         |                                |                                |
| Accounts Payable                                                          | \$56,016           | \$7,479          | \$0                     | \$19,212                       | \$82,707                       |
| Accrued Wages Payable                                                     | 24,706             | 4,296            | 0                       | 6,094                          | 35,096                         |
| Contracts Payable                                                         | 0                  | 0                | 0                       | 39,631                         | 39,631                         |
| Unearned Revenue                                                          | 0                  | 0                | 0                       | 37,826                         | 37,826                         |
| Interfund Payable                                                         | 0                  | 0                | 0                       | 55,064                         | 55,064                         |
| Intergovernmental Payable                                                 | 35,468             | 6,238            | 0                       | 5,671                          | 47,377                         |
| <i>Total Liabilities</i>                                                  | <u>116,190</u>     | <u>18,013</u>    | <u>0</u>                | <u>163,498</u>                 | <u>297,701</u>                 |
| <b>Deferred Inflows of Resources</b>                                      |                    |                  |                         |                                |                                |
| Property Taxes not Levied to Finance Current Year                         | 240,738            | 242,368          | 0                       | 159,743                        | 642,849                        |
| Unavailable Revenue                                                       | 675,199            | 107,402          | 0                       | 347,550                        | 1,130,151                      |
| Deferred Inflows Lease                                                    | 214,785            | 0                | 0                       | 0                              | 214,785                        |
| <i>Total Deferred Inflows of Resources</i>                                | <u>1,130,722</u>   | <u>349,770</u>   | <u>0</u>                | <u>507,293</u>                 | <u>1,987,785</u>               |
| <b>Fund Balances</b>                                                      |                    |                  |                         |                                |                                |
| Nonspendable:                                                             |                    |                  |                         |                                |                                |
| Cemetery Perpetual Care                                                   | 0                  | 0                | 0                       | 251,268                        | 251,268                        |
| Inventories                                                               | 1,622              | 0                | 0                       | 98,098                         | 99,720                         |
| Prepaid Items                                                             | 35,176             | 4,339            | 0                       | 4,105                          | 43,620                         |
| Unclaimed Monies                                                          | 2,989              | 0                | 0                       | 0                              | 2,989                          |
| Restricted for:                                                           |                    |                  |                         |                                |                                |
| Street Construction                                                       | 0                  | 0                | 0                       | 294,141                        | 294,141                        |
| Recreation                                                                | 0                  | 0                | 0                       | 24,527                         | 24,527                         |
| Police Protection                                                         | 0                  | 0                | 0                       | 26,777                         | 26,777                         |
| Fire Protection                                                           | 0                  | 79,155           | 0                       | 0                              | 79,155                         |
| Cemetery                                                                  | 0                  | 0                | 0                       | 22,935                         | 22,935                         |
| Community Development                                                     | 0                  | 0                | 0                       | 593,143                        | 593,143                        |
| Capital Projects                                                          | 0                  | 0                | 2,433,835               | 46,463                         | 2,480,298                      |
| Committed for:                                                            |                    |                  |                         |                                |                                |
| Community Development                                                     | 0                  | 0                | 0                       | 73,405                         | 73,405                         |
| Assigned to:                                                              |                    |                  |                         |                                |                                |
| Purchases on Order                                                        | 27,085             | 0                | 0                       | 0                              | 27,085                         |
| Subsequent Year's Appropriations                                          | 401,069            | 0                | 0                       | 0                              | 401,069                        |
| Unassigned (Defecit)                                                      | 633,889            | 0                | 0                       | (36,255)                       | 597,634                        |
| <i>Total Fund Balances</i>                                                | <u>1,101,830</u>   | <u>83,494</u>    | <u>2,433,835</u>        | <u>1,398,607</u>               | <u>5,017,766</u>               |
| <i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i> | <u>\$2,348,742</u> | <u>\$451,277</u> | <u>\$2,433,835</u>      | <u>\$2,069,398</u>             | <u>\$7,303,252</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, 2023*

**Total Governmental Fund Balances** \$5,017,766

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

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the funds. 6,794,134

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

|                                    |         |           |
|------------------------------------|---------|-----------|
| Delinquent Property Taxes          | 253,128 |           |
| Income Taxes                       | 363,860 |           |
| Charges for Services               | 161,123 |           |
| Fines, Forfeitures and Settlements | 77,258  |           |
| Intergovernmental Revenues         | 274,782 | 1,130,151 |

The net pension liability and net OPEB liability are not due and payable  
in the current period: therefore, the asset, liabilities, and related deferred  
inflows/outflows are not reported in governmental funds:

|                             |             |             |
|-----------------------------|-------------|-------------|
| Deferred Outflows - Pension | 1,412,248   |             |
| Deferred Inflows - Pension  | (190,444)   |             |
| Net Pension Liability       | (3,486,567) |             |
| Deferred Outflows - OPEB    | 218,118     |             |
| Deferred Inflows - OPEB     | (207,390)   |             |
| Net OPEB Liability          | (198,944)   | (2,452,979) |

Long-term liabilities and accrued interest that are not due and payable in  
the current period and therefore are not reported in the funds:

|                              |           |           |
|------------------------------|-----------|-----------|
| Long-Term Loans Payable      | (485,420) |           |
| Accrued Interest Payable     | (9,408)   |           |
| Leases Payable               | (1,216)   |           |
| Compensated Absences Payable | (95,211)  | (591,255) |

Net Position of Governmental Activities \$9,897,817

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, 2023*

|                                                     | General            | Fire<br>Levy    | Permanent<br>Investment | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-----------------------------------------------------|--------------------|-----------------|-------------------------|--------------------------------|--------------------------------|
| <b>Revenues</b>                                     |                    |                 |                         |                                |                                |
| Property Taxes                                      | \$260,566          | \$283,370       | \$0                     | \$183,568                      | \$727,504                      |
| Income Taxes                                        | 1,386,870          | 0               | 0                       | 0                              | 1,386,870                      |
| Permissive Motor Vehicle License Taxes              | 0                  | 0               | 0                       | 80,496                         | 80,496                         |
| Intergovernmental                                   | 198,020            | 42,935          | 0                       | 1,271,625                      | 1,512,580                      |
| Charges for Services                                | 9,257              | 190,167         | 0                       | 16,046                         | 215,470                        |
| Fines, Forfeitures and Settlements                  | 38,686             | 0               | 0                       | 14,103                         | 52,789                         |
| Licenses and Permits                                | 49,014             | 0               | 0                       | 0                              | 49,014                         |
| Investment Earnings and Other Interest              | 296,845            | 0               | 0                       | 2,244                          | 299,089                        |
| Leases                                              | 10,577             | 0               | 0                       | 0                              | 10,577                         |
| Rent                                                | 71,054             | 0               | 0                       | 15,125                         | 86,179                         |
| Contributions and Donations                         | 4,985              | 0               | 0                       | 270                            | 5,255                          |
| Miscellaneous                                       | 67,386             | 954             | 0                       | 6,574                          | 74,914                         |
| <i>Total Revenues</i>                               | <u>2,393,260</u>   | <u>517,426</u>  | <u>0</u>                | <u>1,590,051</u>               | <u>4,500,737</u>               |
| <b>Expenditures</b>                                 |                    |                 |                         |                                |                                |
| Current:                                            |                    |                 |                         |                                |                                |
| General Government                                  | 1,237,366          | 0               | 0                       | 78,506                         | 1,315,872                      |
| Security of Persons and Property:                   |                    |                 |                         |                                |                                |
| Police                                              | 1,308,869          | 0               | 0                       | 34,088                         | 1,342,957                      |
| Fire                                                | 0                  | 526,457         | 0                       | 0                              | 526,457                        |
| Transportation                                      | 0                  | 0               | 0                       | 561,358                        | 561,358                        |
| Public Health Services                              | 0                  | 0               | 0                       | 235,870                        | 235,870                        |
| Leisure Time Services                               | 0                  | 0               | 0                       | 25,682                         | 25,682                         |
| Community Environment                               | 0                  | 0               | 0                       | 123,622                        | 123,622                        |
| Capital Outlay                                      | 0                  | 0               | 0                       | 336,505                        | 336,505                        |
| Debt Service:                                       |                    |                 |                         |                                |                                |
| Principal Retirement                                | 594                | 12,255          | 0                       | 62,264                         | 75,113                         |
| Interest                                            | 27                 | 3,881           | 0                       | 15,709                         | 19,617                         |
| <i>Total Expenditures</i>                           | <u>2,546,856</u>   | <u>542,593</u>  | <u>0</u>                | <u>1,473,604</u>               | <u>4,563,053</u>               |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>(153,596)</u>   | <u>(25,167)</u> | <u>0</u>                | <u>116,447</u>                 | <u>(62,316)</u>                |
| <b>Other Financing Sources (Use)</b>                |                    |                 |                         |                                |                                |
| Transfers In                                        | 0                  | 0               | 0                       | 156,490                        | 156,490                        |
| Transfers Out                                       | (156,490)          | 0               | 0                       | 0                              | (156,490)                      |
| Inception of Lease                                  | 1,810              | 0               | 0                       | 0                              | 1,810                          |
| Proceeds from Sale of Capital Assets                | 0                  | 0               | 0                       | 5,650                          | 5,650                          |
| <i>Total Other Financing Sources (Use)</i>          | <u>(154,680)</u>   | <u>0</u>        | <u>0</u>                | <u>162,140</u>                 | <u>7,460</u>                   |
| <i>Net Change in Fund Balance</i>                   | <u>(308,276)</u>   | <u>(25,167)</u> | <u>0</u>                | <u>278,587</u>                 | <u>(54,856)</u>                |
| <i>Fund Balances Beginning of Year</i>              | <u>1,410,106</u>   | <u>108,661</u>  | <u>2,433,835</u>        | <u>1,120,020</u>               | <u>5,072,622</u>               |
| <i>Fund Balances End of Year</i>                    | <u>\$1,101,830</u> | <u>\$83,494</u> | <u>\$2,433,835</u>      | <u>\$1,398,607</u>             | <u>\$5,017,766</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, 2023*

**Net Change in Fund Balances - Total Governmental Funds** (\$54,856)

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

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

|                           |                  |         |
|---------------------------|------------------|---------|
| Capital Asset Additions   | 901,701          |         |
| Depreciation/Amortization | <u>(379,719)</u> | 521,982 |

Governmental funds report only the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of proceeds from the sale of capital assets and the loss on disposal of capital assets:

|                                          |              |          |
|------------------------------------------|--------------|----------|
| Loss on Disposal of Capital Assets       | (38,150)     |          |
| Proceeds from the Sale of Capital Assets | <u>5,650</u> | (32,500) |

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

|                                    |                 |         |
|------------------------------------|-----------------|---------|
| Delinquent Property Taxes          | 39,065          |         |
| Income Tax                         | 174,324         |         |
| Charges for Services               | 161,123         |         |
| Fines, Forfeitures and Settlements | 77,258          |         |
| Intergovernmental Revenues         | <u>(12,161)</u> | 439,609 |

Repayments of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

|                |               |        |
|----------------|---------------|--------|
| Leases Payable | 594           |        |
| Loans Payable  | <u>74,519</u> | 75,113 |

Inception of leases are reported as other financing sources in the governmental funds, but the inception increases long-term liabilities on the statement of activities. (1,810)

In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, interest is expended when due. 1,644

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. 368

Contractually required contributions are reported as expenditures in governmental funds however, the Statement of Net Position reports these amounts as deferred outflows

|         |              |         |
|---------|--------------|---------|
| Pension | 225,581      |         |
| OPEB    | <u>3,918</u> | 229,499 |

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability and net OPEB asset/liability are reported as pension and OPEB expense in the Statement of Activities

|         |               |                  |
|---------|---------------|------------------|
| Pension | (465,317)     |                  |
| OPEB    | <u>22,050</u> | <u>(443,267)</u> |

*Change in Net Position of Governmental Activities* \$735,782

See accompanying notes to the basic financial statements

**City of Wellston, Ohio**  
*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (Budget Basis)*  
**General Fund**  
For the Year Ended December 31, 2023

|                                              | <u>Budgeted Amounts</u> |                  | <u>Actual</u>    | <u>Variance with<br/>Final Budget</u> |
|----------------------------------------------|-------------------------|------------------|------------------|---------------------------------------|
|                                              | <u>Original</u>         | <u>Final</u>     |                  |                                       |
| <b>Revenues</b>                              |                         |                  |                  |                                       |
| Property Taxes                               | \$200,048               | \$199,646        | \$260,566        | \$60,920                              |
| Income Taxes                                 | 1,415,000               | 1,415,000        | 1,534,368        | 119,368                               |
| Intergovernmental                            | 137,550                 | 185,797          | 230,047          | 44,250                                |
| Charges for Services                         | 200                     | 200              | 515              | 315                                   |
| Fines, Forfeitures and Settlements           | 51,500                  | 53,561           | 39,322           | (14,239)                              |
| Licenses and Permits                         | 82,350                  | 77,572           | 49,014           | (28,558)                              |
| Interest                                     | 30,800                  | 30,800           | 286,985          | 256,185                               |
| Rent                                         | 59,600                  | 58,225           | 87,150           | 28,925                                |
| Contributions and Donations                  | 0                       | 4,985            | 4,985            | 0                                     |
| Miscellaneous                                | 45,928                  | 18,688           | 67,180           | 48,492                                |
| <i>Total Revenues</i>                        | <u>2,022,976</u>        | <u>2,044,474</u> | <u>2,560,132</u> | <u>515,658</u>                        |
| <b>Expenditures</b>                          |                         |                  |                  |                                       |
| Current:                                     |                         |                  |                  |                                       |
| General Government                           | 1,187,102               | 1,370,113        | 1,263,134        | 106,979                               |
| Security of Persons and Property:            |                         |                  |                  |                                       |
| Police                                       | 1,321,406               | 1,378,629        | 1,343,149        | 35,480                                |
| Debt Service:                                |                         |                  |                  |                                       |
| Principal Retirement                         | 0                       | 594              | 594              | 0                                     |
| Interest                                     | 0                       | 27               | 27               | 0                                     |
| <i>Total Expenditures</i>                    | <u>2,508,508</u>        | <u>2,749,363</u> | <u>2,606,904</u> | <u>142,459</u>                        |
| <i>Excess of Revenues Under Expenditures</i> | (485,532)               | (704,889)        | (46,772)         | 658,117                               |
| <b>Other Financing Uses</b>                  |                         |                  |                  |                                       |
| Transfers Out                                | (156,490)               | (156,490)        | (156,490)        | 0                                     |
| <i>Net Change in Fund Balance</i>            | (642,022)               | (861,379)        | (203,262)        | 658,117                               |
| <i>Fund Balance Beginning of Year</i>        | 1,091,232               | 1,091,232        | 1,091,232        | 0                                     |
| Prior Year Encumbrances Appropriated         | 89,835                  | 89,835           | 89,835           | 0                                     |
| <i>Fund Balance End of Year</i>              | <u>\$539,045</u>        | <u>\$319,688</u> | <u>\$977,805</u> | <u>\$658,117</u>                      |

See accompanying notes to the basic financial statements



**City of Wellston, Ohio**  
*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (Budget Basis)  
Fire Levy Fund  
For the Year Ended December 31, 2023*

|                                       | <u>Budgeted Amounts</u> |                  | <u>Actual</u>   | <u>Variance with<br/>Final Budget</u> |
|---------------------------------------|-------------------------|------------------|-----------------|---------------------------------------|
|                                       | <u>Original</u>         | <u>Final</u>     |                 |                                       |
| <b>Revenues</b>                       |                         |                  |                 |                                       |
| Property Taxes                        | \$268,000               | \$268,000        | \$283,370       | \$15,370                              |
| Intergovernmental                     | 225,910                 | 225,910          | 42,935          | (182,975)                             |
| Charges for Services                  | 39,700                  | 39,700           | 190,167         | 150,467                               |
| Miscellaneous                         | 0                       | 0                | 954             | 954                                   |
| <i>Total Revenues</i>                 | <u>533,610</u>          | <u>533,610</u>   | <u>517,426</u>  | <u>(16,184)</u>                       |
| <b>Expenditures</b>                   |                         |                  |                 |                                       |
| Current:                              |                         |                  |                 |                                       |
| Security of Persons and Property:     |                         |                  |                 |                                       |
| Fire                                  | 517,624                 | 532,722          | 541,109         | (8,387)                               |
| Debt Service:                         |                         |                  |                 |                                       |
| Principal Retirement                  | 12,255                  | 12,255           | 12,255          | 0                                     |
| Interest                              | 3,881                   | 3,881            | 3,881           | 0                                     |
| <i>Total Expenditures</i>             | <u>533,760</u>          | <u>548,858</u>   | <u>557,245</u>  | <u>(8,387)</u>                        |
| <i>Net Change in Fund Balance</i>     | (150)                   | (15,248)         | (39,819)        | (24,571)                              |
| <i>Fund Balance Beginning of Year</i> | 117,188                 | 117,188          | 117,188         | 0                                     |
| Prior Year Encumbrances Appropriated  | 15,098                  | 15,098           | 15,098          | 0                                     |
| <i>Fund Balance End of Year</i>       | <u>\$132,136</u>        | <u>\$117,038</u> | <u>\$92,467</u> | <u>(\$24,571)</u>                     |

See accompanying notes to the basic financial statements

**City of Wellston, Ohio**  
*Statement of Fund Net Position*  
*Enterprise Funds*  
*December 31, 2023*

|                                                     | Water              | Sewer              | Nonmajor<br>Enterprise<br>Fund | Total<br>Enterprise<br>Funds |
|-----------------------------------------------------|--------------------|--------------------|--------------------------------|------------------------------|
| <b>Assets</b>                                       |                    |                    |                                |                              |
| Current:                                            |                    |                    |                                |                              |
| Equity in Pooled Cash and Cash Equivalents          | \$1,546,731        | \$2,543,972        | \$460,670                      | \$4,551,373                  |
| Accounts Receivable                                 | 306,306            | 253,020            | 72,813                         | 632,139                      |
| Intergovernmental Receivable                        | 0                  | 1,165,822          | 0                              | 1,165,822                    |
| Prepaid Items                                       | 28,973             | 20,983             | 1,812                          | 51,768                       |
| Materials and Supplies Inventory                    | 60,395             | 5,294              | 0                              | 65,689                       |
| <i>Total Current Assets</i>                         | <u>1,942,405</u>   | <u>3,989,091</u>   | <u>535,295</u>                 | <u>6,466,791</u>             |
| Noncurrent:                                         |                    |                    |                                |                              |
| Restricted Assets:                                  |                    |                    |                                |                              |
| Customer Deposits                                   | 319,292            | 0                  | 0                              | 319,292                      |
| Non-Depreciable Capital Assets                      | 851,288            | 4,797,214          | 0                              | 5,648,502                    |
| Depreciable Capital Assets, net                     | 6,036,006          | 5,081,884          | 526,022                        | 11,643,912                   |
| <i>Total Noncurrent Assets</i>                      | <u>7,206,586</u>   | <u>9,879,098</u>   | <u>526,022</u>                 | <u>17,611,706</u>            |
| <i>Total Assets</i>                                 | <u>9,148,991</u>   | <u>13,868,189</u>  | <u>1,061,317</u>               | <u>24,078,497</u>            |
| <b>Deferred Outflows of Resources</b>               |                    |                    |                                |                              |
| Pension                                             | 654,995            | 482,536            | 38,646                         | 1,176,177                    |
| OPEB                                                | 86,725             | 60,573             | 5,649                          | 152,947                      |
| Asset Retirement Obligation                         | 0                  | 75,376             | 0                              | 75,376                       |
| <i>Total Deferred Outflows of Resources</i>         | <u>741,720</u>     | <u>618,485</u>     | <u>44,295</u>                  | <u>1,404,500</u>             |
| <b>Liabilities</b>                                  |                    |                    |                                |                              |
| Current Liabilities:                                |                    |                    |                                |                              |
| Accounts Payable                                    | 109,221            | 72,483             | 14,135                         | 195,839                      |
| Accrued Wages Payable                               | 12,352             | 8,399              | 269                            | 21,020                       |
| Contracts Payable                                   | 255,231            | 1,840,287          | 0                              | 2,095,518                    |
| Retainage Payable                                   | 0                  | 60,423             | 0                              | 60,423                       |
| Intergovernmental Payable                           | 15,895             | 12,892             | 1,753                          | 30,540                       |
| Accrued Interest Payable                            | 9,419              | 9,633              | 470                            | 19,522                       |
| OPWC Loans Payable                                  | 3,763              | 0                  | 0                              | 3,763                        |
| OWDA Loans Payable                                  | 41,087             | 0                  | 0                              | 41,087                       |
| Loans Payable                                       | 35,664             | 100,018            | 43,048                         | 178,730                      |
| Compensated Absences Payable                        | 20,681             | 25,028             | 2,553                          | 48,262                       |
| Lease Payable                                       | 0                  | 0                  | 26,406                         | 26,406                       |
| Customer Deposits Payable for Restricted Assets     | 319,292            | 0                  | 0                              | 319,292                      |
| <i>Total Current Liabilities</i>                    | <u>822,605</u>     | <u>2,129,163</u>   | <u>88,634</u>                  | <u>3,040,402</u>             |
| Current Liabilities Payable from Restricted Assets: |                    |                    |                                |                              |
| Long-Term Liabilities:                              |                    |                    |                                |                              |
| OPWC Loans Payable                                  | 22,578             | 0                  | 0                              | 22,578                       |
| OWDA Loans Payable                                  | 1,745,500          | 0                  | 0                              | 1,745,500                    |
| Loans Payable                                       | 158,078            | 1,236,225          | 183,335                        | 1,577,638                    |
| Compensated Absences Payable                        | 21,273             | 17,021             | 1,845                          | 40,139                       |
| Lease Payable                                       | 0                  | 0                  | 20,066                         | 20,066                       |
| Asset Retirement Obligation                         | 0                  | 166,000            | 0                              | 166,000                      |
| Net Pension Liability                               | 1,393,419          | 964,674            | 71,457                         | 2,429,550                    |
| Net OPEB Liability                                  | 28,412             | 19,670             | 1,455                          | 49,537                       |
| <i>Total Long-Term Liabilities</i>                  | <u>3,369,260</u>   | <u>2,403,590</u>   | <u>278,158</u>                 | <u>6,051,008</u>             |
| <i>Total Liabilities</i>                            | <u>4,191,865</u>   | <u>4,532,753</u>   | <u>366,792</u>                 | <u>9,091,410</u>             |
| <b>Deferred Inflows of Resources</b>                |                    |                    |                                |                              |
| Pension                                             | 19                 | 55                 | 35,564                         | 35,638                       |
| OPEB                                                | 9,373              | 6,485              | 687                            | 16,545                       |
| <i>Total Deferred Inflows of Resources</i>          | <u>9,392</u>       | <u>6,540</u>       | <u>36,251</u>                  | <u>52,183</u>                |
| <b>Net Position</b>                                 |                    |                    |                                |                              |
| Net Investment in Capital Assets                    | 4,625,393          | 6,642,145          | 253,167                        | 11,520,705                   |
| Unrestricted                                        | 1,064,061          | 3,305,236          | 449,402                        | 4,818,699                    |
| <i>Total Net Position</i>                           | <u>\$5,689,454</u> | <u>\$9,947,381</u> | <u>\$702,569</u>               | <u>\$16,339,404</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, 2023*

|                                                | Water              | Sewer              | Nonmajor<br>Enterprise<br>Fund | Total<br>Enterprise<br>Funds |
|------------------------------------------------|--------------------|--------------------|--------------------------------|------------------------------|
| <b>Operating Revenues</b>                      |                    |                    |                                |                              |
| Charges for Services                           | \$2,037,355        | \$2,016,346        | \$438,089                      | \$4,491,790                  |
| <b>Operating Expenses</b>                      |                    |                    |                                |                              |
| Salaries and Wages                             | 707,873            | 485,588            | 58,338                         | 1,251,799                    |
| Fringe Benefits                                | 412,182            | 339,424            | 18,922                         | 770,528                      |
| Contractual Services                           | 701,167            | 81,425             | 114,756                        | 897,348                      |
| Materials and Supplies                         | 478,243            | 330,036            | 20,332                         | 828,611                      |
| Depreciation/Amortization                      | 243,608            | 177,137            | 55,194                         | 475,939                      |
| <i>Total Operating Expenses</i>                | <u>2,543,073</u>   | <u>1,413,610</u>   | <u>267,542</u>                 | <u>4,224,225</u>             |
| <i>Operating Income (Loss)</i>                 | <u>(505,718)</u>   | <u>602,736</u>     | <u>170,547</u>                 | <u>267,565</u>               |
| <b>Non-Operating Revenues (Expenses)</b>       |                    |                    |                                |                              |
| Capital Grants                                 | 28,969             | 3,124,528          | 0                              | 3,153,497                    |
| Interest                                       | (20,027)           | (41,979)           | (7,598)                        | (69,604)                     |
| Proceeds from Sale of Capital Assets           | 0                  | 0                  | 52,500                         | 52,500                       |
| <i>Total Non-Operating Revenues (Expenses)</i> | <u>8,942</u>       | <u>3,082,549</u>   | <u>44,902</u>                  | <u>3,136,393</u>             |
| <i>Change in Net Position</i>                  | <u>(496,776)</u>   | <u>3,685,285</u>   | <u>215,449</u>                 | <u>3,403,958</u>             |
| <i>Net Position Beginning of Year</i>          | <u>6,186,230</u>   | <u>6,262,096</u>   | <u>487,120</u>                 | <u>12,935,446</u>            |
| <i>Net Position End of Year</i>                | <u>\$5,689,454</u> | <u>\$9,947,381</u> | <u>\$702,569</u>               | <u>\$16,339,404</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, 2023

|                                                                                                          | Water                     | Sewer                     | Nonmajor<br>Enterprise<br>Fund | Total<br>Enterprise<br>Funds |
|----------------------------------------------------------------------------------------------------------|---------------------------|---------------------------|--------------------------------|------------------------------|
| <b>Increase (Decrease) in Cash and Cash Equivalents</b>                                                  |                           |                           |                                |                              |
| <b>Cash Flows from Operating Activities</b>                                                              |                           |                           |                                |                              |
| Cash Received from Customers                                                                             | \$2,060,205               | \$2,029,351               | \$436,329                      | \$4,525,885                  |
| Cash Payments for Employee Services and Benefits                                                         | (1,043,201)               | (743,553)                 | (106,814)                      | (1,893,568)                  |
| Cash Payments for Goods and Services                                                                     | (1,143,891)               | (404,036)                 | (133,800)                      | (1,681,727)                  |
| Utility Deposits Received                                                                                | 41,940                    | 0                         | 0                              | 41,940                       |
| Utility Deposits Returned                                                                                | (30,167)                  | 0                         | 0                              | (30,167)                     |
| <i>Net Cash Provided by (Used for) Operating Activities</i>                                              | <u>(115,114)</u>          | <u>881,762</u>            | <u>195,715</u>                 | <u>962,363</u>               |
| <b>Cash Flows from Capital and Related Financing Activities</b>                                          |                           |                           |                                |                              |
| Proceeds from OWDA Loans                                                                                 | 274,702                   | 0                         | 0                              | 274,702                      |
| Payments for Capital Acquisitions                                                                        | (299,840)                 | (2,598,633)               | 0                              | (2,898,473)                  |
| Capital Grants                                                                                           | 28,969                    | 1,958,706                 | 0                              | 1,987,675                    |
| Proceeds from Sales Of Assets                                                                            | 0                         | 0                         | 52,500                         | 52,500                       |
| Principal Paid on OPWC Loans                                                                             | (3,763)                   | 0                         | 0                              | (3,763)                      |
| Principal Paid on OWDA Loans                                                                             | (54,814)                  | 0                         | 0                              | (54,814)                     |
| Principal Paid on Other Loans                                                                            | (34,272)                  | (97,078)                  | (41,987)                       | (173,337)                    |
| Principal Paid on Leases                                                                                 | 0                         | 0                         | (26,014)                       | (26,014)                     |
| Interest Paid on Leases                                                                                  | 0                         | 0                         | (909)                          | (909)                        |
| Interest Paid on OWDA Loans                                                                              | (10,899)                  | 0                         | 0                              | (10,899)                     |
| Interest Paid on Other Loans                                                                             | (9,411)                   | (42,677)                  | (6,776)                        | (58,864)                     |
| <i>Net Cash Used for Capital and Related Financing Activities</i>                                        | <u>(109,328)</u>          | <u>(779,682)</u>          | <u>(23,186)</u>                | <u>(912,196)</u>             |
| <i>Net Increase (Decrease) in Cash and Cash Equivalents</i>                                              | (224,442)                 | 102,080                   | 172,529                        | 50,167                       |
| <i>Cash and Cash Equivalents Beginning of Year</i>                                                       | <u>2,090,465</u>          | <u>2,441,892</u>          | <u>288,141</u>                 | <u>4,820,498</u>             |
| <i>Cash and Cash Equivalents End of Year</i>                                                             | <u><u>\$1,866,023</u></u> | <u><u>\$2,543,972</u></u> | <u><u>\$460,670</u></u>        | <u><u>\$4,870,665</u></u>    |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b> |                           |                           |                                |                              |
| Operating Income (Loss)                                                                                  | (\$505,718)               | \$602,736                 | \$170,547                      | \$267,565                    |
| Adjustments:                                                                                             |                           |                           |                                |                              |
| Depreciation/Amortization                                                                                | 243,608                   | 177,137                   | 55,194                         | 475,939                      |
| (Increase) Decrease in Assets:                                                                           |                           |                           |                                |                              |
| Accounts Receivable                                                                                      | 22,850                    | 13,005                    | (1,760)                        | 34,095                       |
| Prepaid Items                                                                                            | (28,811)                  | (20,872)                  | (1,769)                        | (51,452)                     |
| Materials and Supplies Inventory                                                                         | (22,942)                  | 12,906                    | 0                              | (10,036)                     |
| Deferred Outflows - Pension                                                                              | 320,705                   | 254,202                   | 33,527                         | 608,434                      |
| Deferred Outflows - OPEB                                                                                 | 60,545                    | 46,933                    | 5,424                          | 112,902                      |
| Deferred Outflows - Asset Retirement Obligations                                                         | 0                         | 2,754                     | 0                              | 2,754                        |
| Increase (Decrease) in Liabilities:                                                                      |                           |                           |                                |                              |
| Accounts Payable                                                                                         | 58,282                    | (4,938)                   | 1,288                          | 54,632                       |
| Accrued Wages Payable                                                                                    | (566)                     | (142)                     | (784)                          | (1,492)                      |
| Intergovernmental Payable                                                                                | (1,913)                   | (2,925)                   | (2,035)                        | (6,873)                      |
| Customer Deposits Payable                                                                                | 11,773                    | 0                         | 0                              | 11,773                       |
| Compensated Absences Payable                                                                             | (1,177)                   | (6,552)                   | (987)                          | (8,716)                      |
| Net Pension Liability                                                                                    | 36,882                    | 19,524                    | 10,519                         | 66,925                       |
| Net OPEB Liability                                                                                       | (817)                     | (607)                     | 18                             | (1,406)                      |
| Deferred Inflows - Pension                                                                               | (197,639)                 | (136,836)                 | (53,706)                       | (388,181)                    |
| Deferred Inflows - OPEB                                                                                  | (110,176)                 | (74,563)                  | (19,761)                       | (204,500)                    |
| <i>Net Cash Provided by (Used for) Operating Activities</i>                                              | <u><u>(\$115,114)</u></u> | <u><u>\$881,762</u></u>   | <u><u>\$195,715</u></u>        | <u><u>\$962,363</u></u>      |

**Noncash Transactions:**

Non-Cash Transactions:

At December 31, 2022, the City had contracts payable related to the purchase of capital assets of \$67,453 in the Water Enterprise Fund.  
At December 31, 2023, the City had contracts payable related to the purchase of capital assets of \$255,231 in the Water Enterprise Fund.  
At December 31, 2023, the City had contracts payable related to the purchase of capital assets of \$1,840,287 in the Sewer Fund.  
At December 31, 2023, the City had retainage payable related to the purchase of capital assets of \$60,423 in the Sewer Enterprise Fund.

See accompanying notes to the basic financial statements.

**City of Wellston, Ohio**  
*Statement of Fiduciary Net Position*  
*Custodial Funds*  
*December 31, 2023*

|                                                                 |                        |
|-----------------------------------------------------------------|------------------------|
| <b>Assets</b>                                                   |                        |
| Equity in Pooled Cash and Cash Equivalents                      | <u><u>\$24,196</u></u> |
| <b>Net Position</b>                                             |                        |
| Restricted for Individuals, Organizations and Other Governments | <u><u>\$24,196</u></u> |

See accompanying notes to the basic financial statements

**City of Wellston, Ohio**  
*Statement of Changes in Fiduciary Net Position*  
*Custodial Funds*  
*December 31, 2023*

|                                          | <u>Custodial<br/>Funds</u> |
|------------------------------------------|----------------------------|
| <b>Additions</b>                         |                            |
| Amounts Received from Others             | \$39,580                   |
| <b>Deductions</b>                        |                            |
| Distributions to Individuals             | <u>39,580</u>              |
| <i>Change in Fiduciary Net Position</i>  | 0                          |
| <i>Net Position at Beginning of Year</i> | <u>24,196</u>              |
| <i>Net Position at End of Year</i>       | <u><u>\$24,196</u></u>     |

See accompanying notes to the basic financial statements

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2023*

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**NOTE 1 - REPORTING ENTITY**

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

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

**Reporting Entity**

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

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

The City is involved with the Regional Income Tax Agency (RITA) which is defined as jointly governed organization and is presented in Note 20.

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

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

**A. Basis of Presentation**

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

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2023*

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Government-wide Financial Statements

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

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

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Custodial 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 and deferred inflows is reported as fund balance. The following are the City's major governmental funds:

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

Fire Levy Fund - The Fire Levy Special Revenue Fund is used to account for property tax revenues and billings for the operation of the Wellston Fire Department.



**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2023*

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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. The City’s Water and Sewer Enterprise Funds are major funds while the Garbage Enterprise Fund is nonmajor.

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.

Nonmajor Garbage Fund - The Nonmajor 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 custodial 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. The City’s only fiduciary funds are custodial funds. The City’s custodial funds account for monies held for police and fire auxiliary organizations.

C. Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and 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.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows 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.

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2023*

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Like the government-wide statements, all proprietary and fiduciary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

For proprietary funds, the statement of 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.

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from custodial funds.

#### 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 and the statements presented for proprietary and fiduciary funds are prepared using 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 period in which taxes are levied. Revenue from grants, entitlements, and donations is recognized in the 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 non-exchange 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: investment earnings and other interest, federal and state grant subsidies, state-levied local shared taxes (including motor vehicle license fees and gasoline taxes), income taxes, fees, and rent.

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2023*

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Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for asset retirement obligations, pension, and OPEB. The deferred outflows of resources related to asset retirement obligations is originally measured at the amount of the corresponding liability. This amount is expensed in a systematic and rational manner over the tangible asset's useful life. The deferred outflows of resources related to pension and OPEB are explained in Notes 11 and 12.

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 assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB, leases, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2023, but which were levied to finance 2024 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. The deferred inflow for leases is related to leases receivable and is being recognized as lease revenue in a systematic and rational manner over the term of the lease. 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; income taxes; charges for services; fines, forfeitures and settlements; and intergovernmental revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 15. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 11 and 12)

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

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2023*

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

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

F. Cash and Cash Equivalents

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

During 2023, investments were limited to certificates of deposit, which are reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Investment earnings and other interest revenue credited to the General Fund during 2023 amounted to \$296,845, which includes \$264,846 assigned from other City funds.

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

G. Receivables and Payables

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

H. 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 General Fund represent money set aside for unclaimed monies.

I. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/expended when used. Inventory consists of materials and supplies held for consumption.

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2023*

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**J. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2023, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

**K. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities' columns of the government-wide statement of net 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 (except for intangible right-to-use lease assets which are discussed below) are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Governmental activities' infrastructure amounts represent capital asset purchases made since January 1, 2004. The City has elected not to retroactively report governmental activities' infrastructure. Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of ten thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives 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<br>Estimated Lives | Business-Type Activities<br>Estimated Lives |
|----------------------------|--------------------------------------------|---------------------------------------------|
| Land Improvements          | 20 years                                   | 10 years                                    |
| Buildings and Improvements | 20-40 years                                | 20-40 years                                 |
| Furniture and Equipment    | 15 years                                   | 15 years                                    |
| Vehicles                   | 5-25 years                                 | 5-25 years                                  |
| Infrastructure             | 15 years                                   | 70 years                                    |

The City is reporting intangible right to use assets related to lease assets. The lease assets include equipment and represent nonfinancial assets which are being utilized for a period of time through leases from another entity. These intangible right to use lease assets are being amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

**L. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2023*

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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 after their probation is over. The liability for vacation benefits is recorded as "long-term liabilities, due in one year and due in more than one year" as the City allows employees to accumulate vacation leave for up to three years. The City records a liability for accumulated unused sick leave for employees after 12.81 years of service.

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

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

In general, the City reports governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, as obligations of the funds. However, claims and judgments and compensated absences 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. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits. Long-term loans and leases are recognized as a liability in the governmental fund financial statements when due.

**N. 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, prepaids, as well as inventory, unless the use of the collection of the loans, or from the use of the prepaids and inventory, is restricted, committed, or assigned.

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

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

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2023*

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**Committed** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute. The City Council assigned fund balance to cover the gap between the estimated resources and appropriations in the 2024's appropriated budget.

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

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

#### O. Net Position

Net position represents the difference between all other elements in a statement of financial position. 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 when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2023*

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P. Internal Activity

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 non-operating 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.

Q. Pensions/Other Postemployment Benefits (OPEB)

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

R. Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. The City recognizes unearned revenue for intergovernmental revenue from grants received before the eligibility requirements are met.

S. Estimates

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

T. 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.

U. 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.



**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2023*

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V. Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements.

W. Leases

The City serves as both lessee and lessor in various noncancellable leases which are accounted for as follows:

**Lessee** At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the useful life of the underlying asset. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

**Lessor** At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

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

For 2023, the City implemented Governmental Accounting Standards Board (GASB) No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*; and GASB Statement No. 99, *Omnibus 2022*.

GASB Statement 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The City did not have any arrangements that met the GASB 94 definition of a PPP or an APA.

GASB Statement 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The City did not have any contracts that met the GASB 96 definition of a SBITA, other than short-term SBITAs.

GASB Statement 99 addresses various issues including items related to leases, PPPs, and SBITAs. The requirements related to PPPs and SBITAs were incorporated with the corresponding GASB 94 and GASB 96 changes identified above.

For 2023, the City also implemented the guidance in GASB's Implementation Guide No. 2021-1, *Implementation Guidance Update—2021* (other than question 5.1).

**City of Wellston, Ohio**  
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The City understated the non-depreciable assets in prior years. It was discovered the City had owned several pieces of property that were not added to the City's books. The restated net position as of December 31, 2022 is as follows:

|                                          | Governmental<br>Activities | Business-Type<br>Activities |
|------------------------------------------|----------------------------|-----------------------------|
| Net Position, December 31, 2022          | \$8,431,865                | \$12,540,686                |
| Adjustments for                          |                            |                             |
| Non-Depreciable Asset                    | 730,170                    | 394,760                     |
| Restated Net Position, December 31, 2022 | \$9,162,035                | \$12,935,446                |

|                                          | Water       | Sewer       | Nonmajor<br>Enterprise<br>Fund | Total<br>Enterprise<br>Funds |
|------------------------------------------|-------------|-------------|--------------------------------|------------------------------|
| Net Position, December 31, 2022          | \$6,039,840 | \$6,013,726 | \$487,120                      | \$12,540,686                 |
| Adjustments for                          |             |             |                                |                              |
| Non-Depreciable Asset                    | 146,390     | 248,370     | 0                              | 394,760                      |
| Restated Net Position, December 31, 2022 | \$6,186,230 | \$6,262,096 | \$487,120                      | \$12,935,446                 |

**NOTE 4 - 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) is presented for the General Fund and the major special revenue fund on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as committed or assigned fund balance (GAAP basis).
4. Unrecorded cash is reported on the balance sheet (GAAP) but not on the budgetary basis.
5. Prepaid items are reported on the balance sheet (GAAP basis), but not on the budgetary basis.

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

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2023*

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Net Change in Fund Balances

|                                         | General     | Fire<br>Levy |
|-----------------------------------------|-------------|--------------|
| GAAP Basis                              | (\$308,276) | (\$25,167)   |
| Net Adjustment for Revenue Accruals     | 164,824     | 0            |
| Net Adjustment for Expenditure Accruals | 10,984      | (5,685)      |
| Beginning of Year:                      |             |              |
| Unreported Cash                         | 2,048       | 0            |
| Prepaid Items                           | 617         | 73           |
| End of Year:                            |             |              |
| Prepaid Items                           | (35,716)    | (4,339)      |
| Encumbrances                            | (37,743)    | (4,701)      |
| Budget Basis                            | (\$203,262) | (\$39,819)   |

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

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

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
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- federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
  4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
  5. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
  6. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
  7. 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. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City and must be purchased with the expectation that it will be held to maturity.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the City and must be purchased with the expectation that it will be held to maturity.

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

At year end, the City had \$3,404 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2023*

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**NOTE 6 - PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2023 for real and public utility property taxes represents collections of 2022 taxes.

2023 real property taxes are levied after October 1, 2023, on the assessed value as of January 1, 2023, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2023 real property taxes are collected in and intended to finance 2024.

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. 2023 public utility property taxes which became a lien December 31, 2022, are levied after October 1, 2023, and are collected in 2024 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2023, was \$11.80 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2023 property tax receipts were based are as follows:

|                                  |                     |
|----------------------------------|---------------------|
| Real Property                    | \$78,673,290        |
| Public Utility Real Property     | 48,470              |
| Public Utility Personal Property | <u>8,038,280</u>    |
| Total                            | <u>\$86,760,040</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, 2023, and for which there is an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2023 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 7 - TAX ABATEMENTS**

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

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2023*

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

Below is the information relevant to the disclosure of those programs for the year ended December 31, 2023.

| Tax Abatement Program                 | Amount of 2023<br>Taxes Abated |
|---------------------------------------|--------------------------------|
| <i>Enterprise Zone Tax Exemptions</i> |                                |
| General Mills Warehouse Space         | \$22,228                       |

**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 2023, all proceeds were receipted into the General Fund.

The Regional Income Tax Agency administers and collects income taxes for the City. Payments are remitted monthly net of collection fees of approximately 1.0 percent.

**NOTE 9 - RECEIVABLES**

Receivables at December 31, 2023, consisted of property and income taxes; Permissive MVL; accrued interest; loans; intergovernmental receivables arising from grants, entitlements, and shared revenues; leases, and accounts (billings for user charged services and Opioid settlement monies). 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 \$240,859 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 leases and delinquent property taxes. Property taxes, although ultimately collectible, includes some portion of delinquencies that will not be collected within one year in the amount of \$253,128.

A summary of intergovernmental receivables follows:

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
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|                                    |                           |
|------------------------------------|---------------------------|
| <u>Governmental Activities:</u>    |                           |
| Gasoline Tax                       | \$147,342                 |
| Sales Tax                          | 180,698                   |
| Local Government Subsidies         | 54,936                    |
| Motor Vehicle License Tax          | 24,506                    |
| Homestead and Rollback             | 41,276                    |
| ODNR Grant                         | 18,809                    |
| Miscellaneous                      | 1,327                     |
| Total Governmental Activities      | <u>468,894</u>            |
| <u>Business-Type Activities:</u>   |                           |
| ARPA Wastewater Grant              | <u>1,165,822</u>          |
| Total Intergovernmental Receivable | <u><u>\$1,634,716</u></u> |

***Leases Receivable***

The City is reporting leases receivable of \$214,785 in the General Fund at December 31, 2023. These amounts represent the discounted future lease payments. This discount is being amortized using the interest method. For 2023, the City recognized lease revenue of \$10,577 and interest revenue of \$5,724 in the General Fund related to lease payments received. These lease revenue amounts exclude short-term leases. A description of the City’s leasing arrangements is as follows:

*Land Lease* - The City has entered into a lease with Acorn Development Inc. for the lease of land.

*Cell Tower Lease* – The City has entered into two lease agreements for a cell tower with Alltel, which later was renamed American Tower with the following terms:

| Company                 | Lease<br>Commencement<br>Date | Years | Lease<br>Ending<br>Date | Payment<br>Method |
|-------------------------|-------------------------------|-------|-------------------------|-------------------|
| Alltel                  | 2008                          | 15    | 2023                    | Monthly           |
| Alltel - American Tower | 2023                          | 12    | 2035                    | Monthly           |
| Acorn Development Inc.  | 1987                          | 50    | 2037                    | Monthly           |

A summary of future lease revenue is as follows:

| Year      | Principal        | Interest        |
|-----------|------------------|-----------------|
| 2024      | \$11,052         | \$5,544         |
| 2025      | 11,335           | 5,261           |
| 2026      | 11,627           | 4,969           |
| 2027      | 12,811           | 4,660           |
| 2028      | 14,348           | 4,298           |
| 2029-2033 | 81,050           | 15,410          |
| 2034-2038 | <u>72,562</u>    | <u>3,536</u>    |
|           | <u>\$214,785</u> | <u>\$43,678</u> |

**City of Wellston, Ohio**  
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For the Year Ended December 31, 2023

***Opioid Settlement Monies***

During 2021, Ohio reached an agreement with the three largest distributors of opioids. Subsequently, settlements have been reached with other distributors. As contingencies related to timing and measurement are resolved, a receivable will be reported in accompanying financial statements as a part of accounts receivable. As a participating subdivision, the City reported \$81,104 as an account receivable related to opioid settlement monies in the OneOhio Special Revenue Fund in the accompanying financial statements. Collections of these settlement monies are expected to extend through 2038 with \$7,968 expected to be collected in 2024.

**NOTE 10 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2023, was as follows:

|                                                          | Restated<br>Balance<br>12/31/2022 | Additions          | Reductions           | Balance<br>12/31/2023 |
|----------------------------------------------------------|-----------------------------------|--------------------|----------------------|-----------------------|
| <b>Governmental Activities</b>                           |                                   |                    |                      |                       |
| <b><i>Nondepreciable Capital Assets</i></b>              |                                   |                    |                      |                       |
| Land                                                     | \$1,229,010                       | \$10,000           | \$0                  | \$1,239,010           |
| Construction in Progress                                 | 1,051,522                         | 376,118            | (1,388,027)          | 39,613                |
| <i>Total Nondepreciable Capital Assets</i>               | <u>2,280,532</u>                  | <u>386,118</u>     | <u>(1,388,027)</u>   | <u>1,278,623</u>      |
| <b><i>Depreciable Capital Assets</i></b>                 |                                   |                    |                      |                       |
| <b><i>Tangible Assets</i></b>                            |                                   |                    |                      |                       |
| Land Improvements                                        | 380,277                           | 1,623,577          | 0                    | 2,003,854             |
| Buildings and Improvements                               | 1,958,605                         | 187,364            | 0                    | 2,145,969             |
| Furniture and Equipment                                  | 1,030,503                         | 62,009             | (50,000)             | 1,042,512             |
| Vehicles                                                 | 2,166,445                         | 28,850             | 0                    | 2,195,295             |
| Infrastructure                                           | 2,417,047                         | 0                  | 0                    | 2,417,047             |
| <i>Total Tangible Assets</i>                             | <u>7,952,877</u>                  | <u>1,901,800</u>   | <u>(50,000)</u>      | <u>9,804,677</u>      |
| <b><i>Intangible Right to Use Lease Assets</i></b>       |                                   |                    |                      |                       |
| Intangible Right to Use - Equipment                      | 0                                 | 1,810              | 0                    | 1,810                 |
| <i>Total Depreciable Capital Assets</i>                  | <u>7,952,877</u>                  | <u>1,903,610</u>   | <u>(50,000)</u>      | <u>9,806,487</u>      |
| <b><i>Less Accumulated Depreciation/Amortization</i></b> |                                   |                    |                      |                       |
| <b><i>Depreciation</i></b>                               |                                   |                    |                      |                       |
| Land Improvements                                        | (296,376)                         | (33,817)           | 0                    | (330,193)             |
| Buildings and Improvements                               | (685,533)                         | (51,117)           | 0                    | (736,650)             |
| Furniture and Equipment                                  | (353,050)                         | (71,208)           | 17,500               | (406,758)             |
| Vehicles                                                 | (1,486,578)                       | (125,828)          | 0                    | (1,612,406)           |
| Infrastructure                                           | (1,107,220)                       | (97,155)           | 0                    | (1,204,375)           |
| <i>Total Depreciation</i>                                | <u>(3,928,757)</u>                | <u>(379,125)</u>   | <u>17,500</u>        | <u>(4,290,382)</u>    |
| <b><i>Amortization</i></b>                               |                                   |                    |                      |                       |
| <b><i>Intangible Right to Use Lease Assets</i></b>       |                                   |                    |                      |                       |
| Intangible Right to Use - Equipment                      | 0                                 | (594)              | 0                    | (594)                 |
| <i>Total Accumulated Depreciation/Amortization</i>       | <u>(3,928,757)</u>                | <u>(379,719)</u>   | <u>17,500</u>        | <u>(4,290,976)</u>    |
| <i>Total Depreciable Capital Assets, Net</i>             | <u>4,024,120</u>                  | <u>1,523,891</u>   | <u>(32,500)</u>      | <u>5,515,511</u>      |
| <i>Governmental Activities Capital Assets, Net</i>       | <u>\$6,304,652</u>                | <u>\$1,910,009</u> | <u>(\$1,420,527)</u> | <u>\$6,794,134</u>    |

Depreciation/Amortization expense was charged to governmental activities as follows:



**City of Wellston, Ohio**  
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For the Year Ended December 31, 2023

|                                  | Depreciation | Amortization | Total     |
|----------------------------------|--------------|--------------|-----------|
| General Government               | \$12,387     | \$0          | \$12,387  |
| Security of Persons and Property |              |              |           |
| Police                           | 36,813       | 594          | 37,407    |
| Fire                             | 104,533      | 0            | 104,533   |
| Public Health and Welfare        | 794          | 0            | 794       |
| Leisure Time Activities          | 46,214       | 0            | 46,214    |
| Community Development            | 36,164       | 0            | 36,164    |
| Transportation                   | 142,220      | 0            | 142,220   |
| Total                            | \$379,125    | \$594        | \$379,719 |

  

|                                                          | Restated<br>Balance<br>12/31/2022 | Additions   | Reductions | Balance<br>12/31/2023 |
|----------------------------------------------------------|-----------------------------------|-------------|------------|-----------------------|
| <b>Business-Type Activities</b>                          |                                   |             |            |                       |
| <b><i>Nondepreciable Capital Assets</i></b>              |                                   |             |            |                       |
| Land                                                     | \$658,260                         | \$20,000    | \$0        | \$678,260             |
| Construction in Progress                                 | 262,179                           | 4,757,863   | (49,800)   | 4,970,242             |
| <i>Total Nondepreciable Capital Assets</i>               | 920,439                           | 4,777,863   | (49,800)   | 5,648,502             |
| <b><i>Depreciable Capital Assets</i></b>                 |                                   |             |            |                       |
| <b><i>Tangible Assets</i></b>                            |                                   |             |            |                       |
| Land Improvements                                        | 63,848                            | 0           | 0          | 63,848                |
| Buildings and Improvements                               | 5,778,656                         | 0           | 0          | 5,778,656             |
| Furniture and Equipment                                  | 1,988,543                         | 258,898     | 0          | 2,247,441             |
| Vehicles                                                 | 1,713,974                         | 0           | (138,850)  | 1,575,124             |
| Infrastructure                                           | 13,073,724                        | 0           | 0          | 13,073,724            |
| <i>Total Tangible Assets</i>                             | 22,618,745                        | 258,898     | (138,850)  | 22,738,793            |
| <b><i>Intangible Right to Use</i></b>                    |                                   |             |            |                       |
| <b><i>Lease Assets</i></b>                               |                                   |             |            |                       |
| Intangible Right to Use - Equipment                      | 98,112                            | 0           | 0          | 98,112                |
| <i>Total Depreciable Capital Assets</i>                  | 22,716,857                        | 258,898     | (138,850)  | 22,836,905            |
| <b><i>Less Accumulated Depreciation/Amortization</i></b> |                                   |             |            |                       |
| <b><i>Depreciation</i></b>                               |                                   |             |            |                       |
| Land Improvements                                        | (63,848)                          | 0           | 0          | (63,848)              |
| Buildings and Improvements                               | (3,575,619)                       | (124,852)   | 0          | (3,700,471)           |
| Furniture and Equipment                                  | (1,451,405)                       | (56,373)    | 0          | (1,507,778)           |
| Vehicles                                                 | (781,666)                         | (87,458)    | 138,850    | (730,274)             |
| Infrastructure                                           | (4,957,740)                       | (181,242)   | 0          | (5,138,982)           |
| <i>Total Depreciation</i>                                | (10,830,278)                      | (449,925)   | 138,850    | (11,141,353)          |
| <b><i>Amortization</i></b>                               |                                   |             |            |                       |
| <b><i>Intangible Right to Use</i></b>                    |                                   |             |            |                       |
| <b><i>Lease Assets</i></b>                               |                                   |             |            |                       |
| Intangible Right to Use - Equipment                      | (25,626)                          | (26,014)    | 0          | (51,640)              |
| <i>Total Accumulated Depreciation/Amortization</i>       | (10,855,904)                      | (475,939)   | 138,850    | (11,192,993)          |
| <i>Total Depreciable Capital Assets, Net</i>             | 11,860,953                        | (217,041)   | 0          | 11,643,912            |
| <i>Business-Type Activities Capital Assets, Net</i>      | \$12,781,392                      | \$4,560,822 | (\$49,800) | \$17,292,414          |

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

***Net Pension Liability /Net OPEB Liability***

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

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a *net pension asset* or a long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable*. The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

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

Plan Description – City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple employer public employee retirement system which administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Effective January 1, 2022, new members may no longer select the Combined Plan, and current members may no longer make a plan change to this plan. Participating employers are divided into state, local, law enforcement and public safety divisions. 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 plan.

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

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

| <b>Group A</b>                                                                                                                                   | <b>Group B</b>                                                                                                                                   | <b>Group C</b>                                                                                                                                   |
|--------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|
| Eligible to retire prior to January 7, 2013 or five years after January 7, 2013                                                                  | 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013                                        | Members not in other Groups and members hired on or after January 7, 2013                                                                        |
| <b>State and Local</b>                                                                                                                           | <b>State and Local</b>                                                                                                                           | <b>State and Local</b>                                                                                                                           |
| <b>Age and Service Requirements:</b><br>Age 60 with 60 months of service credit or Age 55 with 25 years of service credit                        | <b>Age and Service Requirements:</b><br>Age 60 with 60 months of service credit or Age 55 with 25 years of service credit                        | <b>Age and Service Requirements:</b><br>Age 57 with 25 years of service credit or Age 62 with 5 years of service credit                          |
| <b>Traditional Plan Formula:</b><br>2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | <b>Traditional Plan Formula:</b><br>2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | <b>Traditional Plan Formula:</b><br>2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 |
| <b>Combined Plan Formula:</b><br>1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30     | <b>Combined Plan Formula:</b><br>1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30     | <b>Combined Plan Formula:</b><br>1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35     |

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

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Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The amount of a member's pension benefit vests upon receipt of the initial benefit payment. The options for Public Safety and Law Enforcement permit early retirement under qualifying circumstances as early as age 48 with a reduced benefit.

When a traditional plan benefit recipient has received benefits for 12 months, the member is eligible for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost-of-living adjustment is 3 percent. For those retiring on or after January 7, 2013, beginning in calendar year 2019, the adjustment is based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options and will continue to be administered by OPERS), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

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

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|                                                  | State and Local |          |
|--------------------------------------------------|-----------------|----------|
|                                                  | Traditional     | Combined |
| <b>2023 Statutory Maximum Contribution Rates</b> |                 |          |
| Employer                                         | 14.0 %          | 14.0 %   |
| Employee *                                       | 10.0 %          | 10.0 %   |
| <b>2023 Actual Contribution Rates</b>            |                 |          |
| Employer:                                        |                 |          |
| Pension **                                       | 14.0 %          | 12.0 %   |
| Post-employment Health Care Benefits **          | 0.0             | 2.0      |
| Total Employer                                   | 14.0 %          | 14.0 %   |
| Employee                                         | 10.0 %          | 10.0 %   |

\* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

\*\* These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension; however, effective July 1, 2022, a portion of the health care rate is funded with reserves.

Employer contribution rates are actuarially determined within the constraints of statutory limits for each division and expressed as a percentage of covered payroll.

For 2023, the City’s contractually required contribution was \$282,931 for the traditional plan, \$0 for the combined plan, and \$7,156 for the member-directed plan. Of these amounts, \$26,068 is reported as an intergovernmental payable for the traditional plan, no amount for the combined plan, and \$660 for the member-directed plan.

***Ohio Police & Fire Pension Fund (OP&F)***

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

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit (see OP&F Annual Comprehensive Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

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

The COLA amount for members who have 15 or more years of service credit as of July 1, 2013, and members who are receiving a pension benefit that became effective before July 1, 2013, will be equal to 3.0 percent of the member’s base pension benefit.

The COLA amount for members who have less than 15 years of service credit as of July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member’s base pension benefit where the percentage is the lesser of 3.0 percent or the percentage increase in the consumer price index, if any, over the twelve-month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Members who retired prior to July 24, 1986, or their surviving beneficiaries under optional plans are entitled to cost-of-living allowance increases. The annual increase is paid on July 1st of each year. The annual COLA increase is \$360 under a Single Life Annuity Plan with proportional reductions for optional payment plans.

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

|                                                  | Police  | Firefighters |
|--------------------------------------------------|---------|--------------|
| <b>2023 Statutory Maximum Contribution Rates</b> |         |              |
| Employer                                         | 19.50 % | 24.00 %      |
| Employee                                         | 12.25 % | 12.25 %      |
| <b>2023 Actual Contribution Rates</b>            |         |              |
| Employer:                                        |         |              |
| Pension                                          | 19.00 % | 23.50 %      |
| Post-employment Health Care Benefits             | 0.50    | 0.50         |
| Total Employer                                   | 19.50 % | 24.00 %      |
| Employee                                         | 12.25 % | 12.25 %      |

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Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OP&F was \$135,043 for 2023. Of this amount, \$16,075 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F’s total pension liability was measured as of December 31, 2022, and was determined by rolling forward the total pension liability as of January 1, 2022, to December 31, 2022. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense of the City’s defined benefit pension plans:

The following is instructional: Please make sure current is listed first and that all decimal places are showing on the proportionate share.

|                                                | <u>Traditional Plan</u> | <u>Combined Plan</u> | <u>OP&amp;F</u>   |              |
|------------------------------------------------|-------------------------|----------------------|-------------------|--------------|
| Proportion of the Net Pension Liability/Asset: |                         |                      |                   |              |
| Current Measurement Date                       | 0.012095%               | 0.000000%            | 0.0246683%        |              |
| Prior Measurement Date                         | <u>0.011570%</u>        | <u>0.000000%</u>     | <u>0.0228256%</u> |              |
| Change in Proportionate Share                  | <u>0.000525%</u>        | <u>0.000000%</u>     | <u>0.0018427%</u> |              |
|                                                |                         |                      |                   | <u>Total</u> |
| Proportionate Share of the:                    |                         |                      |                   |              |
| Net Pension Liability                          | \$3,572,868             | \$0                  | \$2,343,249       | \$5,916,117  |
| Pension Expense                                | 592,626                 | 9,749                | 342,513           | 944,888      |

2023 pension expense for the member-directed defined contribution plan was \$5,485. The aggregate pension expense for all pension plans was \$950,373 for 2023.

At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

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|                                                                                                           | OPERS<br>Traditional Plan | OPERS<br>Combined Plan | OP&F             | Total              |
|-----------------------------------------------------------------------------------------------------------|---------------------------|------------------------|------------------|--------------------|
| <b>Deferred Outflows of Resources</b>                                                                     |                           |                        |                  |                    |
| Differences between expected and actual experience                                                        | \$118,675                 | \$0                    | \$35,148         | \$153,823          |
| Changes of assumptions                                                                                    | 37,745                    | 0                      | 211,353          | 249,098            |
| Net difference between projected and actual earnings on pension plan investments                          | 1,018,380                 | 0                      | 341,148          | 1,359,528          |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 60,297                    | 18,280                 | 215,767          | 294,344            |
| City contributions subsequent to the measurement date                                                     | 282,931                   | 0                      | 135,043          | 417,974            |
| <b>Total Deferred Outflows of Resources</b>                                                               | <b>\$1,518,028</b>        | <b>\$18,280</b>        | <b>\$938,459</b> | <b>\$2,474,767</b> |
| <b>Deferred Inflows of Resources</b>                                                                      |                           |                        |                  |                    |
| Differences between expected and actual experience                                                        | \$0                       | \$0                    | \$53,386         | \$53,386           |
| Changes of assumptions                                                                                    | 0                         | 0                      | 45,693           | 45,693             |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 0                         | 295                    | 13,050           | 13,345             |
| <b>Total Deferred Inflows of Resources</b>                                                                | <b>\$0</b>                | <b>\$295</b>           | <b>\$112,129</b> | <b>\$112,424</b>   |

\$417,974 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension in 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

|                          | OPERS<br>Traditional<br>Plan | OPERS<br>Combined<br>Plan | OP&F             | Total              |
|--------------------------|------------------------------|---------------------------|------------------|--------------------|
| Year Ending December 31: |                              |                           |                  |                    |
| 2024                     | \$180,660                    | \$3,028                   | \$108,499        | \$292,187          |
| 2025                     | 255,804                      | 3,025                     | 181,311          | 440,140            |
| 2026                     | 299,758                      | 3,028                     | 173,794          | 476,580            |
| 2027                     | 498,875                      | 2,976                     | 214,936          | 716,787            |
| 2028                     | 0                            | 2,927                     | 12,747           | 15,674             |
| Thereafter               | 0                            | 3,001                     | 0                | 3,001              |
| <b>Total</b>             | <b>\$1,235,097</b>           | <b>\$17,985</b>           | <b>\$691,287</b> | <b>\$1,944,369</b> |



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***Actuarial Assumptions – OPERS***

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2022, using the following key actuarial assumptions and methods applied to all periods included in the measurement in accordance with the requirements of GASB 67:

|                                                 | <u>OPERS Traditional Plan</u>                                  | <u>OPERS Combined Plan</u>                                     |
|-------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|
| Wage Inflation                                  | 2.75 percent                                                   | 2.75 percent                                                   |
| Future Salary Increases,<br>including inflation | 2.75 to 10.75 percent<br>including wage inflation              | 2.75 to 8.25 percent<br>including wage inflation               |
| COLA or Ad Hoc COLA:                            |                                                                |                                                                |
| Pre-January 7, 2013 Retirees                    | 3.0 percent, simple                                            | 3.0 percent, simple                                            |
| Post-January 7, 2013 Retirees                   | 3.0 percent, simple through 2023,<br>then 2.05 percent, simple | 3.0 percent, simple through 2023,<br>then 2.05 percent, simple |
| Investment Rate of Return                       | 6.9 percent                                                    | 6.9 percent                                                    |
| Actuarial Cost Method                           | Individual Entry Age                                           | Individual Entry Age                                           |

Pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five year period ended December 31, 2020.

During 2022, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 12.1 percent for 2022.

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

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benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board's investment consultant. For each major class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2022, these best estimates are summarized below:

| <u>Asset Class</u>     | <u>Target<br/>Allocation</u> | <u>Weighted Average<br/>Long-Term Expected<br/>Real Rate of Return<br/>(Geometric)</u> |
|------------------------|------------------------------|----------------------------------------------------------------------------------------|
| Fixed Income           | 22.00%                       | 2.62%                                                                                  |
| Domestic Equities      | 22.00                        | 4.60                                                                                   |
| Real Estate            | 13.00                        | 3.27                                                                                   |
| Private Equity         | 15.00                        | 7.53                                                                                   |
| International Equities | 21.00                        | 5.51                                                                                   |
| Risk Parity            | 2.00                         | 4.37                                                                                   |
| Other investments      | 5.00                         | 3.27                                                                                   |
| Total                  | <u>100.00%</u>               |                                                                                        |

**Discount Rate** The discount rate used to measure the total pension liability for the current year was 6.9 percent for the traditional plan and the combined plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the traditional pension plan, combined plan and member-directed plan was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 6.9 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.9 percent) or one-percentage-point higher (7.9 percent) than the current rate:

|                                                                            | <u>1% Decrease<br/>(5.90%)</u> | <u>Discount Rate<br/>(6.90%)</u> | <u>1% Increase<br/>(7.90%)</u> |
|----------------------------------------------------------------------------|--------------------------------|----------------------------------|--------------------------------|
| <b>City's proportionate share<br/>of the net pension liability (asset)</b> |                                |                                  |                                |
| OPERS Traditional Plan                                                     | \$5,352,038                    | \$3,572,868                      | \$2,092,919                    |

**Actuarial Assumptions – OP&F**

OP&F's total pension liability as of December 31, 2022, is based on the results of an actuarial valuation date of January 1, 2022, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include

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assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered are: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2022, are presented below.

|                            |                                                                                                                                          |
|----------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation Date             | January 1, 2022, with actuarial liabilities rolled forward to December 31, 2022                                                          |
| Actuarial Cost Method      | Entry Age Normal                                                                                                                         |
| Investment Rate of Return  | 7.5 percent                                                                                                                              |
| Projected Salary Increases | 3.75 percent to 10.5 percent                                                                                                             |
| Payroll Growth             | 3.25 percent per annum, compounded annually, consisting of Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent |
| Cost of Living Adjustments | 2.2 percent simple per year                                                                                                              |

For 2022, mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2 percent for males and 98.7 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135 percent for males and 97.9 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, mortality for contingent annuitants is based on the Pub- 2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9 percent for males and 131 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, Mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP- 2021 Improvement Scale.

For 2021, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

| Age        | Police | Fire |
|------------|--------|------|
| 67 or less | 77 %   | 68 % |
| 68-77      | 105    | 87   |
| 78 and up  | 115    | 120  |

For 2021, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

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| Age        | Police | Fire |
|------------|--------|------|
| 59 or less | 35 %   | 35 % |
| 60-69      | 60     | 45   |
| 70-79      | 75     | 70   |
| 80 and up  | 100    | 90   |

The most recent experience study was completed for the five-year period ended December 31, 2021.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the underlying inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2022, are summarized below:

| Asset Class                     | Target<br>Allocation | Long-Term Expected<br>Real Rate of Return |
|---------------------------------|----------------------|-------------------------------------------|
| Domestic Equity                 | 18.60 %              | 4.80 %                                    |
| Non-US Equity                   | 12.40                | 5.50                                      |
| Private Markets                 | 10.00                | 7.90                                      |
| Core Fixed Income *             | 25.00                | 2.50                                      |
| High Yield Fixed Income         | 7.00                 | 4.40                                      |
| Private Credit                  | 5.00                 | 5.90                                      |
| U.S. Inflation Linked Bonds*    | 15.00                | 2.00                                      |
| Midstream Energy Infrastructure | 5.00                 | 5.90                                      |
| Real Assets                     | 8.00                 | 5.90                                      |
| Gold                            | 5.00                 | 3.60                                      |
| Private Real Estate             | 12.00                | 5.30                                      |
| Commodities                     | 2.00                 | 3.60                                      |
| Total                           | 125.00 %             |                                           |

Note: Assumptions are geometric.

\* levered 2.5x

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.25 times due to the application of leverage in certain fixed income asset classes.

**Discount Rate** For 2022, the total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute.

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Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return of 7.50 percent. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

***Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***  
 Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

|                                                            | 1% Decrease<br>(6.50%) | Current<br>Discount Rate<br>(7.50%) | 1% Increase<br>(8.50%) |
|------------------------------------------------------------|------------------------|-------------------------------------|------------------------|
| City's proportionate share<br>of the net pension liability | \$3,091,198            | \$2,343,249                         | \$1,721,480            |

***NOTE 12 - Defined Benefit OPEB Plans***

See Note 11 for a description of the net OPEB liability.

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

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust. The 115 Health Care Trust (115 Trust or Health Care Trust) was established in 2014, under Section 115 of the Internal Revenue Code (IRC). The purpose of the 115 Trust is to fund health care for the Traditional Pension, Combined and Member-Directed plans. Medicare-enrolled retirees in the Traditional Pension and Combined plans may have an allowance deposited into a health reimbursement arrangement (HRA) account to be used toward the health care program of their choice selected with the assistance of an OPERS vendor. Non-Medicare retirees have converted to an arrangement similar to the Medicare-enrolled retirees, and are no longer participating in OPERS provided self-insured group plans.

With one exception, OPERS-provided health care coverage is neither guaranteed nor statutorily required. Ohio law currently requires Medicare Part A equivalent coverage or Medicare Part A premium reimbursement for eligible retirees and their eligible dependents.

OPERS offers a health reimbursement arrangement (HRA) allowance to traditional pension plan and combined plan benefit recipients meeting certain age and service credit requirements. The HRA is an account funded by OPERS that provides tax free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance, and co-pays incurred by eligible benefit recipients and their dependents.

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OPERS members enrolled in the Traditional Pension Plan or Combined Plan retiring with an effective date of January 1, 2022, or after must meet the following health care eligibility requirements to receive an HRA allowance:

**Medicare Retirees** Medicare-eligible with a minimum of 20 years of qualifying service credit

**Non-Medicare Retirees** Non-Medicare retirees qualify based on the following age-and-service criteria:

**Group A** 30 years of qualifying service credit at any age;

**Group B** 32 years of qualifying service credit at any age or 31 years of qualifying service credit and minimum age 52;

**Group C** 32 years of qualifying service credit and minimum age 55; or,

A retiree from groups A, B or C who qualifies for an unreduced pension, but a portion of their service credit is not health care qualifying service, can still qualify for health care at age 60 if they have at least 20 years of qualifying health care service credit.

Retirees who don't meet the requirement for coverage as a non-Medicare participant can become eligible for coverage at age 65 if they have at least 20 years of qualifying service.

Members with a retirement date prior to January 1, 2022, who were eligible to participate in the OPERS health care program will continue to be eligible after January 1, 2022.

Eligible retirees may receive a monthly HRA allowance for reimbursement of health care coverage premiums and other qualified medical expenses. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are provided to eligible retirees, and are deposited into their HRA account.

Retirees will have access to the OPERS Connector, which is a relationship with a vendor selected by OPERS to assist retirees participating in the health care program. The OPERS Connector may assist retirees in selecting and enrolling in the appropriate health care plan.

When members become Medicare-eligible, recipients enrolled in OPERS health care programs must enroll in Medicare Part A (hospitalization) and Medicare Part B (medical).

OPERS reimburses retirees who are not eligible for premium-free Medicare Part A (hospitalization) for their Part A premiums as well as any applicable surcharges (late-enrollment fees). Retirees within this group must enroll in Medicare Part A and select medical coverage, and may select prescription coverage, through the OPERS Connector. OPERS also will reimburse 50 percent of the Medicare Part A premium and any applicable surcharges for eligible spouses. Proof of enrollment in Medicare Part A and confirmation that the retiree is not receiving reimbursement or payment from another source must be submitted. The premium reimbursement is added to the monthly pension benefit.

The health care trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2023, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2023, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and beginning July 1, 2022, there was a two percent allocation to health care for the Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2022 was 4.0 percent; however, effective July 1, 2022, a portion of the health care rate was funded with reserves.

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution was \$1,671 for 2023. Of this amount, there was no intergovernmental payable reported.

***Ohio Police & Fire Pension Fund (OP&F)***

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

OP&F contracted with a vendor who assists eligible retirees in choosing health care plans that are available where they live (both Medicare-eligible and pre-65 populations). A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses.

Regardless of a benefit recipient's participation in the health care program, OP&F is required by law to pay eligible recipients of a service pension, disability benefit and spousal survivor benefit for their Medicare

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Part B insurance premium, up to the statutory maximum provided the benefit recipient is not eligible to receive reimbursement from any other source. Once OP&F receives the necessary documentation, a monthly reimbursement is included as part of the recipient's next benefit payment. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

OP&F maintains funds for health care in two separate accounts: one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. IRS Code Section 401(h) account is maintained for Medicare Part B reimbursements.

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. The report may be obtained by visiting the OP&F website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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 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 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2023, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

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

The City's contractually required contribution to OP&F was \$3,383 for 2023. Of this amount, \$404 is reported as an intergovernmental payable.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2022, and was determined by rolling forward the total OPEB liability as of January 1, 2022, to December 31, 2022. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the



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contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

|                                             | <u>OPERS</u>     | <u>OP&amp;F</u>   |              |
|---------------------------------------------|------------------|-------------------|--------------|
| Proportion of the Net OPEB Liability/Asset: |                  |                   |              |
| Current Measurement Date                    | 0.011554%        | 0.0246683%        |              |
| Prior Measurement Date                      | <u>0.011057%</u> | <u>0.0228256%</u> |              |
| Change in Proportionate Share               | <u>0.000497%</u> | <u>0.0018427%</u> |              |
|                                             |                  |                   | <u>Total</u> |
| Proportionate Share of the:                 |                  |                   |              |
| Net OPEB Liability                          | \$72,849         | \$175,632         | \$248,481    |
| OPEB Expense                                | (\$124,414)      | \$10,496          | (\$113,918)  |

At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|                                                                                                           | <u>OPERS</u>     | <u>OP&amp;F</u>  | <u>Total</u>     |
|-----------------------------------------------------------------------------------------------------------|------------------|------------------|------------------|
| <b>Deferred Outflows of Resources</b>                                                                     |                  |                  |                  |
| Differences between expected and actual experience                                                        | \$0              | \$10,480         | \$10,480         |
| Changes of assumptions                                                                                    | 71,154           | 87,525           | 158,679          |
| Net difference between projected and actual earnings on OPEB plan investments                             | 144,683          | 15,064           | 159,747          |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 951              | 32,063           | 33,014           |
| City contributions subsequent to the measurement date                                                     | <u>1,671</u>     | <u>3,383</u>     | <u>5,054</u>     |
| Total Deferred Outflows of Resources                                                                      | <u>\$218,459</u> | <u>\$148,515</u> | <u>\$366,974</u> |
| <b>Deferred Inflows of Resources</b>                                                                      |                  |                  |                  |
| Differences between expected and actual experience                                                        | \$18,172         | \$34,631         | \$52,803         |
| Changes of assumptions                                                                                    | 5,855            | 143,652          | 149,507          |
| Changes in proportion and differences between City contributions and proportionate share of contributions | <u>0</u>         | <u>17,534</u>    | <u>17,534</u>    |
| Total Deferred Inflows of Resources                                                                       | <u>\$24,027</u>  | <u>\$195,817</u> | <u>\$219,844</u> |

\$5,054 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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| Year Ending December 31: | OPERS     | OP&F       | Total     |
|--------------------------|-----------|------------|-----------|
| 2024                     | \$24,720  | (\$6,093)  | \$18,627  |
| 2025                     | 53,033    | (3,519)    | 49,514    |
| 2026                     | 45,116    | (2,262)    | 42,854    |
| 2027                     | 69,892    | 1,447      | 71,339    |
| 2028                     | 0         | (9,519)    | (9,519)   |
| Thereafter               | 0         | (30,739)   | (30,739)  |
| Total                    | \$192,761 | (\$50,685) | \$142,076 |

***Actuarial Assumptions - OPERS***

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

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022. The actuarial valuation used the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

|                                 |                                |
|---------------------------------|--------------------------------|
| Wage Inflation                  | 2.75 percent                   |
| Projected Salary Increases,     | 2.75 to 10.75 percent          |
|                                 | including wage inflation       |
| Single Discount Rate            | 5.22 percent                   |
| Prior Year Single Discount Rate | 6.00 percent                   |
| Investment Rate of Return       | 6.00 percent                   |
| Municipal Bond Rate             | 4.05 percent                   |
| Prior Year Municipal Bond Rate  | 1.84 percent                   |
| Health Care Cost Trend Rate     | 5.5 percent, initial           |
|                                 | 3.50 percent, ultimate in 2036 |
| Actuarial Cost Method           | Individual Entry Age           |

Pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

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The most recent experience study was completed for the five year period ended December 31, 2020.

During 2022, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contribution are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 15.6 percent for 2022.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2022, these best estimates are summarized in the following table:

| <u>Asset Class</u>           | <u>Target<br/>Allocation</u> | <u>Weighted Average<br/>Long-Term Expected<br/>Real Rate of Return<br/>(Geometric)</u> |
|------------------------------|------------------------------|----------------------------------------------------------------------------------------|
| Fixed Income                 | 34.00%                       | 2.56%                                                                                  |
| Domestic Equities            | 26.00                        | 4.60                                                                                   |
| Real Estate Investment Trust | 7.00                         | 4.70                                                                                   |
| International Equities       | 25.00                        | 5.51                                                                                   |
| Risk Parity                  | 2.00                         | 4.37                                                                                   |
| Other investments            | 6.00                         | 1.84                                                                                   |
| Total                        | <u>100.00%</u>               |                                                                                        |

**Discount Rate** A single discount rate of 5.22 percent was used to measure the OPEB liability on the measurement date of December 31, 2022; however, the single discount rate used at the beginning of the year was 6 percent. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 4.05 percent (Fidelity Index's "20-Year Municipal GO AA Index"). The projection of cash flows used to determine

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this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2054. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2054, and the municipal bond rate was applied to all health care costs after that date.

***Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate***

The following table presents the City’s proportionate share of the net OPEB liability calculated using the single discount rate of 5.22 percent, as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (4.22 percent) or one-percentage-point higher (6.22 percent) than the current rate:

|                                                     | 1% Decrease<br>(4.22%) | Current<br>Discount Rate<br>(5.22%) | 1% Increase<br>(6.22%) |
|-----------------------------------------------------|------------------------|-------------------------------------|------------------------|
| City's proportionate share<br>of the net OPEB asset | \$247,949              | \$72,849                            | (\$71,635)             |

***Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate***

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability or asset. The following table presents the net liability or asset calculated using the assumed trend rates, and the expected net OPEB liability or asset if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2023 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

|                                                     | 1% Decrease | Current Health Care<br>Cost Trend Rate<br>Assumption | 1% Increase |
|-----------------------------------------------------|-------------|------------------------------------------------------|-------------|
| City's proportionate share<br>of the net OPEB asset | \$68,284    | \$72,849                                             | \$77,990    |

***Actuarial Assumptions – OP&F***

OP&F’s total OPEB liability as of December 31, 2022, is based on the results of an actuarial valuation date of January 1, 2022, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

|                                         |                                                                                 |
|-----------------------------------------|---------------------------------------------------------------------------------|
| Valuation Date                          | January 1, 2022, with actuarial liabilities rolled forward to December 31, 2022 |
| Actuarial Cost Method                   | Entry Age Normal                                                                |
| Investment Rate of Return               | 7.5 percent                                                                     |
| Projected Salary Increases              | 3.75 percent to 10.5 percent                                                    |
| Payroll Growth                          | 3.25 percent                                                                    |
| Blended discount rate:                  |                                                                                 |
| Current measurement date                | 4.27 percent                                                                    |
| Prior measurement date                  | 2.84 percent                                                                    |
| Cost of Living Adjustments              | 2.2 percent simple per year                                                     |
| Projected Depletion Year of OPEB Assets | 2036                                                                            |

For 2022, mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2 percent for males and 98.7 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135 percent for males and 97.9 percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, mortality for contingent annuitants is based on the Pub- 2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9 percent for males and 131percent for females. All rates are projected using the MP-2021 Improvement Scale.

For 2022, mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP- 2021 Improvement Scale.

For 2021, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

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| Age        | Police | Fire |
|------------|--------|------|
| 67 or less | 77 %   | 68 % |
| 68-77      | 105    | 87   |
| 78 and up  | 115    | 120  |

For 2021, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

| Age        | Police | Fire |
|------------|--------|------|
| 59 or less | 35 %   | 35 % |
| 60-69      | 60     | 45   |
| 70-79      | 75     | 70   |
| 80 and up  | 100    | 90   |

The most recent experience study was completed for the five year period ended December 31, 2021.

The OP&F health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 11.

**Discount Rate** For 2022, the total OPEB liability was calculated using the discount rate of 4.27 percent. For 2021, the total OPEB liability was calculated using the discount rate of 2.84 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 7.5 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, for 2022, the long-term assumed rate of return on investments of 7.50 percent was applied to periods before December 31, 2035, and the Municipal Bond Index Rate of 3.65 percent was applied to periods on and after December 31, 2035, resulting in a discount rate of 4.27 percent. For 2021, a municipal bond rate of 2.05 percent at December 31, 2021, was blended with the long-term rate of 7.5 which resulted in a blended discount rate of 2.84. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

**Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate** Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 4.27 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.27 percent), or one percentage point higher (5.27 percent) than the current rate.

|                                                         | 1% Decrease<br>(3.27%) | Current<br>Discount Rate<br>(4.27%) | 1% Increase<br>(5.27%) |
|---------------------------------------------------------|------------------------|-------------------------------------|------------------------|
| City's proportionate share<br>of the net OPEB liability | \$216,273              | \$175,632                           | \$141,319              |

**City of Wellston, Ohio**  
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**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 and is considered an other employee benefit plan. 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 more than thirty-two hours per week.

The City contracts with Michigan Conference of Teamsters for hospitalization and prescription insurance for all employees. Monthly premiums for single and family coverage are determined by each individual being insured meeting certain rate criteria. The City pays 100 percent of premiums for elected officials and 90 percent of premiums for all other employees. Premiums are paid from the same funds that pay the employees' salaries.

**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 4.6 hours per eighty hours of service for police employees, 4.6 hours per eighty hours of service for fire employees, and 4.6 hours per eighty hours of service for all other employees. Sick leave can be accumulated without limit for police and fire, but sick leave is not to exceed 120 hours per year for all other employees. In the case of death or retirement of an employee who has five years of service, an employee or his estate is paid for one-half of his accumulated sick leave up to a maximum payment equal to thirty days for police and fire personnel, and forty-five days for other city employees.

**NOTE 14 - RISK MANAGEMENT**

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

The types of coverage that the City has with The Ohio Plan are:

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| <u>Type of Coverage</u>                | <u>Limit</u> | <u>Aggregate Limit</u>     |
|----------------------------------------|--------------|----------------------------|
| General Liability                      | \$2,000,000  | Per Occurrence \$4,000,000 |
| Public Officials Liability             | 2,000,000    | Per Occurrence 4,000,000   |
| Auto Liability                         | 2,000,000    | Per Occurrence             |
| Law Enforcement Professional Liability | 2,000,000    | Per Occurrence 4,000,000   |
| Employee Dishonesty                    | 50,000       | Per Occurrence             |
| Property Damage                        | 30,651,773   |                            |

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 2023, 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 2023 consist of the following:

| <u>Governmental Activities:</u>                | <u>Outstanding</u> |                    |                   | <u>Outstanding</u> | <u>Amounts</u>    |
|------------------------------------------------|--------------------|--------------------|-------------------|--------------------|-------------------|
|                                                | <u>12/31/2022</u>  | <u>Additions</u>   | <u>Reductions</u> | <u>12/31/2023</u>  | <u>Due Within</u> |
|                                                |                    |                    |                   |                    | <u>One Year</u>   |
| <u>Direct Borrowings</u>                       |                    |                    |                   |                    |                   |
| Fire Department Renovation Loan - 2016 - 3.38% | \$69,692           | \$0                | \$3,955           | \$65,737           | \$4,086           |
| Fire Trucks Loan- 2014 - 3%                    | 24,968             | 0                  | 19,251            | 5,717              | 5,717             |
| Fire Rescue Pumper Loan-2018 - 3.75%           | 393,479            | 0                  | 43,013            | 350,466            | 44,611            |
| USDA Loan Air Packs - 2020 - 2.25%             | 71,800             | 0                  | 8,300             | 63,500             | 8,500             |
| Total Loans from Direct Borrowings             | <u>559,939</u>     | <u>0</u>           | <u>74,519</u>     | <u>485,420</u>     | <u>62,914</u>     |
| Net Pension Liability:                         |                    |                    |                   |                    |                   |
| OPERS                                          | 382,522            | 760,796            | 0                 | 1,143,318          | 0                 |
| OP&F                                           | 1,426,011          | 917,238            | 0                 | 2,343,249          | 0                 |
| Total Net Pension Liability                    | <u>1,808,533</u>   | <u>1,678,034</u>   | <u>0</u>          | <u>3,486,567</u>   | <u>0</u>          |
| Net OPEB Liability:                            |                    |                    |                   |                    |                   |
| OPERS                                          | 0                  | 23,312             | 0                 | 23,312             | 0                 |
| OP&F                                           | 250,188            | 0                  | 74,556            | 175,632            | 0                 |
| Total Net OPEB Liability                       | <u>250,188</u>     | <u>23,312</u>      | <u>74,556</u>     | <u>198,944</u>     | <u>0</u>          |
| Leases                                         | 0                  | 1,810              | 594               | 1,216              | 603               |
| Compensated Absences Payable                   | 95,579             | 18,451             | 18,819            | 95,211             | 38,697            |
| Total Governmental Activities                  | <u>\$2,714,239</u> | <u>\$1,721,607</u> | <u>\$168,488</u>  | <u>\$4,267,358</u> | <u>\$102,214</u>  |



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| <b><u>Business-Type Activities:</u></b>    | Restated<br>Outstanding<br>12/31/2022 | Additions          | Reductions       | Outstanding<br>12/31/2023 | Amounts<br>Due Within<br>One Year |
|--------------------------------------------|---------------------------------------|--------------------|------------------|---------------------------|-----------------------------------|
| <u>Direct Borrowing Loans</u>              |                                       |                    |                  |                           |                                   |
| <u>OPWC Loans</u>                          |                                       |                    |                  |                           |                                   |
| South Water Sludge Basin - 2009 - 0.00%    | \$30,104                              | \$0                | \$3,763          | \$26,341                  | \$3,763                           |
| <u>OWDA Loans</u>                          |                                       |                    |                  |                           |                                   |
| Water Fund - 2010 - 0.00%                  | 47,675                                | 0                  | 2,724            | 44,951                    | 2,724                             |
| North Water Treatment Plant - 2011 - 0%    | 255,285                               | 0                  | 13,091           | 242,194                   | 13,092                            |
| Jenkins Water Tank Replacement - 2011 - 2% | 320,566                               | 0                  | 13,590           | 306,976                   | 13,863                            |
| Fresh Water Fund (Phase II) - 2013 - 2.79% | 36,722                                | 0                  | 5,228            | 31,494                    | 5,375                             |
| South Water Treatment Plant - 2017 - 1.63% | 544,452                               | 39,709             | 20,181           | 563,980                   | 0                                 |
| New York & Broadway Water - 2022 - 0%      | 361,999                               | 0                  | 0                | 361,999                   | 6,033                             |
| Water Treatment Plant - 2024 - 3.74%       | 0                                     | 234,993            | 0                | 234,993                   | 0                                 |
| Total OWDA Loans Payable                   | 1,566,699                             | 274,702            | 54,814           | 1,786,587                 | 41,087                            |
| <u>Other Loans</u>                         |                                       |                    |                  |                           |                                   |
| Flex Net Loan - 2018 - 4.070%              | 285,022                               | 0                  | 42,841           | 242,181                   | 44,580                            |
| Sewer Refinance Loan - 2020 - 2.89%        | 1,376,313                             | 0                  | 88,509           | 1,287,804                 | 91,102                            |
| Garbage Truck Loan - 2022 - 2.49%          | 268,370                               | 0                  | 41,987           | 226,383                   | 43,048                            |
| Total Other Loans Payable                  | 1,929,705                             | 0                  | 173,337          | 1,756,368                 | 178,730                           |
| Total Loans from Direct Borrowings         | 3,526,508                             | 274,702            | 231,914          | 3,569,296                 | 223,580                           |
| Net Pension Liability - OPERS              | 624,115                               | 1,805,435          | 0                | 2,429,550                 | 0                                 |
| Net OPEB Liability- OPERS                  | 0                                     | 49,537             | 0                | 49,537                    | 0                                 |
| Lease Payable                              | 72,486                                | 0                  | 26,014           | 46,472                    | 26,406                            |
| Compensated Absences Payable               | 97,117                                | 0                  | 8,716            | 88,401                    | 48,262                            |
| Asset Retirement Obligation                | 166,000                               | 0                  | 0                | 166,000                   | 0                                 |
| Total Business-Type Activities             | <u>\$4,486,226</u>                    | <u>\$2,129,674</u> | <u>\$266,644</u> | <u>\$6,349,256</u>        | <u>\$298,248</u>                  |

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

There are no repayment schedules for the net pension/OPEB liabilities. However, employer pension contributions are made from the following funds: General Fund; the Street and Cemetery Special Revenue Funds; and the Water, Sewer, and Garbage Enterprise Funds. For additional information related to the net pension/OPEB liabilities, see Notes 11 and 12.

As of December 31, 2023, the City's legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$8,624,384, with an unvoted debt margin of \$4,771,802.

**Governmental Activities:**

In 2016, the City borrowed \$90,250 to renovate the fire department. The loan matures in 2026 and will be paid from the Fire Levy Fund. The City's outstanding Fire Department Renovation loan from direct borrowings contain provisions that in the event of default all indebtedness will become immediately due and payable, and the lender shall have all the rights and remedies provided in the related documents or available at law in equity or otherwise.

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In 2014, the City borrowed \$160,000 to purchase a fire truck. The loan matures in 2024 and will be paid mainly from the County Sales Tax Fund. The City's outstanding Fire Truck loan from direct borrowings contain provisions that in the event of default (1) apply late fees of 5 percent of annual payment, (2) repossess firetruck to sell/trade/auction.

In 2018, the City borrowed \$565,500 to purchase a fire rescue pumper. This loan matures in 2030 and will be paid from the County Sales Tax Fund. The City's outstanding Fire Rescue Pumper loan from direct borrowings contain provisions that in the event of default all indebtedness will become immediately due and payable, and the lender shall have all the rights and remedies provided in the related documents or available at law in equity or otherwise.

In 2020, the City borrowed \$88,000 to purchase air packs for the fire department. This loan matures in 2030 and will be paid from the Fire Fund. The City's outstanding USDA Air Pack loan from direct borrowings contain provisions that in the event of default all indebtedness will become immediately due and payable, and the lender shall have all the rights and remedies provided in the related documents or available at law in equity or otherwise.

The annual requirements to retire these loans outstanding as of December 31, 2023, are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> |
|-------------|------------------|-----------------|
| 2024        | \$62,914         | \$17,111        |
| 2025        | 59,277           | 14,874          |
| 2026        | 114,422          | 12,781          |
| 2027        | 58,935           | 8,833           |
| 2028        | 61,117           | 6,761           |
| 2029-2030   | 128,755          | 6,905           |
|             | <u>\$485,420</u> | <u>\$67,265</u> |

The City has an outstanding agreement to lease chairs. The future lease payments were discounted based on the interest rate stated in the lease agreement. This discount is being amortized using the interest method over the life of the lease. This lease will be paid from the General Fund. A summary of the principal and interest amounts for the remaining leases is as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> |
|-------------|------------------|-----------------|
| 2024        | \$603            | \$18            |
| 2025        | 613              | 9               |
|             | <u>\$1,216</u>   | <u>\$27</u>     |

**Business-Type Activities:**

***OPWC Loans***

The City's outstanding OPWC loan from direct borrowings contain provisions that in the event of default (1) OPWC may apply late fees of 8 percent per year, (2) loans more than 60 days late will be turned over to the Attorney General's office for collection, and as provided by law, OPWC may require that such payment be taken from the City's share of the county undivided local government fund, and (3) the outstanding amounts shall, at OPWC's option, become immediately due and payable.

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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 2031.

Principal requirements to retire the City's OPWC loan outstanding at December 31, 2023, are:

| Year      | Principal |
|-----------|-----------|
| 2024      | \$3,763   |
| 2025      | 3,763     |
| 2026      | 3,763     |
| 2027      | 3,763     |
| 2028      | 3,763     |
| 2029-2031 | 7,526     |
|           | \$26,341  |

***OWDA Loans***

The City's outstanding OWDA loans from direct borrowings contain provisions that in an event of default (1) the amount of such default shall bear interest at the default rate from the due date until the date of payment, (2) if any of the charges have not been paid within 30 days, in addition to the interest calculated at the default rate, a late charge of 1 percent on the amount of each default shall also be paid to the OWDA, and (3) for each additional 30 days during which the charges remain unpaid, the City shall continue to pay an additional late charge of 1 percent on the amount of the default until such charges are paid.

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

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

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

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

An OWDA loan was obtained in 2016 for upgrades to the South Water Treatment Plant (South Water Upgrade). This loan was rolled over to the 2017 OWDA loan obtained in 2017. Repayment will be made from user fees. The loan has not been fully drawn and an amortization schedule is not available.

An OWDA loan was obtained in 2022 for the New York and Broadway Water Improvements. Repayment will be from user fees. Repayment will be from user fees and will be paid off in 2054.

An OWDA loan was obtained in 2024 for the Water Treatment Plant. Repayment will be from user fees. The loan has not been fully drawn and an amortization schedule is not available.

Principal and interest requirements to retire the City's enterprise OWDA loans outstanding at December 31, 2023, are as follows:

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| Year      | Principal | Interest |
|-----------|-----------|----------|
| 2024      | \$41,087  | \$6,912  |
| 2025      | 47,551    | 6,482    |
| 2026      | 47,990    | 6,043    |
| 2027      | 48,440    | 5,593    |
| 2028      | 48,900    | 5,144    |
| 2029-2033 | 222,190   | 20,003   |
| 2034-2038 | 227,464   | 11,621   |
| 2039-2043 | 177,298   | 2,710    |
| 2044-2048 | 60,335    | 0        |
| 2049-2053 | 60,335    | 0        |
| 2054      | 6,024     | 0        |
| Total     | \$987,614 | \$64,508 |

***Other Loans***

In 2018, the City borrowed \$440,023 for the purchase of equipment to be used in water distribution and meter departments. Repayment will be made from the Water and Sewer Departments and will be paid off in 2028.

Principal and interest requirements to retire the FlexNet loan outstanding at December 31, 2023, are as follows:

| Year | Principal | Interest |
|------|-----------|----------|
| 2024 | \$44,580  | \$1,021  |
| 2025 | 46,447    | 8,154    |
| 2026 | 48,364    | 6,237    |
| 2027 | 50,360    | 4,241    |
| 2028 | 52,430    | 2,169    |
|      | \$242,181 | \$21,822 |

In 2020, the City borrowed \$1,545,000 to refinance the City's outstanding General Obligation Bonds of \$441,000 and Revenue Bonds of \$1,105,000. This note is from direct borrowings contain provisions that in the event of default the issuer may (1) declare the entire principal amount outstanding and accrued interest immediately due and payable (2) the interest rate will increase to 25% per annum based on a year of 360 days. Repayment will be made from the Sewer Departments and will be paid off in 2035.

Principal and interest requirements to retire the City's Sewer Refinance loan outstanding at December 31, 2023, are as follows:

| Year      | Principal   | Interest  |
|-----------|-------------|-----------|
| 2024      | \$91,102    | \$37,734  |
| 2025      | 93,772      | 35,065    |
| 2026      | 96,519      | 32,317    |
| 2027      | 99,347      | 29,489    |
| 2028      | 102,258     | 26,578    |
| 2029-2033 | 558,031     | 86,152    |
| 2034-2035 | 246,775     | 10,899    |
|           | \$1,287,804 | \$258,234 |

**City of Wellston, Ohio**  
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In 2022, the City borrowed \$268,370 to purchase a garbage truck. This loan matures in 2028 and will be paid from the Garbage Fund. The City's outstanding Garbage Truck loan from direct borrowings contain provisions that in the event of default all indebtedness will become immediately due and payable, and the lender shall have all the rights and remedies provided in the related documents or available at law in equity or otherwise.

Principal and interest requirements to retire the City's Garbage Truck loan outstanding at December 31, 2023, are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> |
|-------------|------------------|-----------------|
| 2024        | \$43,048         | \$5,715         |
| 2025        | 44,134           | 4,628           |
| 2026        | 45,249           | 3,514           |
| 2027        | 46,391           | 2,372           |
| 2028        | 47,561           | 1,201           |
|             | <u>\$226,383</u> | <u>\$17,430</u> |

The City has an outstanding agreement to lease trash cans. The future lease payments were discounted based on the interest rate stated in the lease agreement. This discount is being amortized using the interest method over the life of the lease. This lease will be paid from the Garbage Fund. A summary of the principal and interest amounts for the remaining leases is as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> |
|-------------|------------------|-----------------|
| 2024        | \$26,406         | \$516           |
| 2025        | 20,066           | 126             |
|             | <u>\$46,472</u>  | <u>\$642</u>    |

***Pledged Revenues***

The City has pledged future customer water revenues, net of specified operating expenses, to repay seven Ohio Water Development Authority loans. The loans are payable solely from customer net revenues.

The final loan payment will be in 2054. 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 10 percent of net revenues. The total principal and interest remaining to be paid on the loans is \$1,851,095. Principal and interest payments for the current year were \$65,713, net revenues were (\$233,141) and total revenues were \$2,066,324.

**NOTE 16 - INTERFUND BALANCES**

**A. Internal Balances – Change in Proportionate Share**

The City uses an internal proportionate share to allocate its net pension/OPEB liability and corresponding deferred outflows/inflows of resources and pension/OPEB expense to its various funds. This allocation creates a change in internal proportionate share. The effects of the internal proportionate share are eliminated from the pension deferred outflows/inflows of resources in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts between governmental and business-type activities. These residual amounts are eliminated in the total column of the entity wide statement of net position, thus allowing the total column to present the change in proportionate share for the City as a whole.

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|                                              | Pension              |                     | OPEB                 |                     |
|----------------------------------------------|----------------------|---------------------|----------------------|---------------------|
|                                              | Deferred<br>Outflows | Deferred<br>Inflows | Deferred<br>Outflows | Deferred<br>Inflows |
| <b>Governmental Activities</b>               | \$0                  | \$78,116            | \$0                  | \$3,884             |
| <b>Business-Type Activities</b>              |                      |                     |                      |                     |
| Water                                        | 48,003               | 0                   | 1,423                | 0                   |
| Sewer                                        | 58,149               | 0                   | 1,481                | 0                   |
| Garbage                                      | 7,506                | 35,542              | 1,187                | 207                 |
| Total Business-Type Activities               | 113,658              | 35,542              | 4,091                | 207                 |
| Elimination from Proprietary Fund Statements | (35,542)             | (35,542)            | (207)                | (207)               |
| <i>Total Business-Type Activities</i>        | 78,116               | 0                   | 3,884                | 0                   |
| <b>Total</b>                                 | <b>\$78,116</b>      | <b>\$78,116</b>     | <b>\$3,884</b>       | <b>\$3,884</b>      |

**B. Transfers**

The General Fund transferred \$30,000 to the Recreation Special Projects Fund and \$126,490 to the Cemetery Special Projects Fund to cover expenses.

**C. Internal Balances**

Interfund balances at December 31, 2023, arise from the provision of cash flow resources from the General Fund until the receipt of grant monies or other program revenues by the capital projects fund.

|                           | Receivables     | Payables        |
|---------------------------|-----------------|-----------------|
| General Fund              | \$55,064        | \$0             |
| Other Governmental Funds: |                 |                 |
| Railroad Depot            | 0               | 55,064          |
| Total All Funds           | <u>\$55,064</u> | <u>\$55,064</u> |

**NOTE 17 - CONTINGENT LIABILITIES**

**A. Litigation**

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

**B. Federal and State Grants**

For the period January 1, 2023, to December 31, 2023, the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

**City of Wellston, Ohio**  
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**NOTE 18 - SIGNIFICANT COMMITMENTS**

**A. Encumbrances**

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

|                              |                    |
|------------------------------|--------------------|
| General Fund                 | \$37,743           |
| Fire Levy Fund               | 4,701              |
| Non-Major Governmental Funds | 122,054            |
| Water Fund                   | 1,022,283          |
| Sewer Fund                   | 277,313            |
| Garbage Fund                 | 24,191             |
|                              | <u>\$1,488,285</u> |

**B. Contractual Commitments**

As of December 31, 2023, the City had contractual commitments as follows:

| Project                          | Fund      | Contract<br>Amount | Amount<br>Expended | Balance at<br>12/31/2023 |
|----------------------------------|-----------|--------------------|--------------------|--------------------------|
| ODOT TAP Street Lights           | Sales Tax | \$37,225           | \$613              | \$36,612                 |
| Cemetery Phase 1                 | Cemetery  | 39,000             | 39,000             | 0                        |
| Total Governmental               |           | 76,225             | 39,613             | 36,612                   |
| Water Treatment Plant            | Water     | 1,360,730          | 640,198            | 720,532                  |
| New York and Broadway Sewer Line | Sewer     | 4,381,309          | 4,319,197          | 62,112                   |
| ODOT TAP Storm Sewer             | Sewer     | 37,225             | 613                | 36,612                   |
| 12th Street Storm Sewer          | Sewer     | 17,113             | 10,234             | 6,879                    |
| Total Business-Type              |           | 5,796,377          | 4,970,242          | 826,135                  |
| Total                            |           | \$5,872,602        | \$5,009,855        | \$862,747                |

**NOTE 19 - FUND DEFICIT**

The Railroad Depot Capital Projects Fund had a deficit fund balance of \$36,255 as of December 31, 2023. This deficit is the result of the recognition of payables in accordance with generally accepted accounting principles as well as a short-term interfund loan from the General Fund needed for operations until the receipt of grant monies. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NOTE 20 - JOINTLY GOVERNED ORGANIZATION**

The Regional Income Tax Agency (RITA) is a regional council of governments formed to establish a central collection facility for the purpose of administering the income tax laws of the members and for the purpose of collection income taxes on behalf of each member. RITA currently has approximately 350 members in the council of governments. Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine-member board of trustees elected by the members of the council of governments. The board exercises total control over RITA's

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2023*

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operation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the council. For 2023, these costs are not yet available; however, they are not expected to be significantly different from 2022. For 2022, the City paid RITA \$33,176 for income tax collection services.

NOTE 21 - ASSET RETIREMENT OBLIGATIONS

Ohio Revised Code Section 6111.44 requires the City to submit any changes to their sewerage system to the Ohio EPA for approval. Through this review process, the City would be responsible to address any public safety issues associated with their wastewater treatment facilities. These public safety issues would include removing/filling any tankage, cleaning/removing certain equipment, and backfilling certain exposed areas. This asset retirement obligation (ARO) of \$166,000 associated with the City waste water treatment facilities were estimated by the City service director. The remaining useful life of these facilities range from 8 to 40 years.

NOTE 22 - COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency ended in April 2023. During 2023, the City received COVID-19 funding. The City will continue to spend available COVID-19 funding consistent with the applicable program guidelines.



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

|                                                                                                | 2023        | 2022        | 2021        | 2020        |
|------------------------------------------------------------------------------------------------|-------------|-------------|-------------|-------------|
| City's Proportion of the Net Pension Liability                                                 | 0.012095%   | 0.011570%   | 0.011433%   | 0.010909%   |
| City's Proportionate Share of the Net Pension Liability                                        | \$3,572,868 | \$1,006,637 | \$1,692,978 | \$2,156,238 |
| City's Covered Payroll                                                                         | \$1,874,907 | \$1,679,243 | \$1,610,257 | \$1,534,929 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 190.56%     | 59.95%      | 105.14%     | 140.48%     |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability                     | 75.74%      | 86.88%      | 86.88%      | 82.17%      |

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

See accompanying notes to the required supplementary information

| 2019        | 2018        | 2017        | 2016        | 2015        | 2014        |
|-------------|-------------|-------------|-------------|-------------|-------------|
| 0.010745%   | 0.010312%   | 0.010521%   | 0.009766%   | 0.009547%   | 0.009547%   |
| \$2,942,838 | \$1,617,753 | \$2,389,141 | \$1,691,594 | \$1,151,471 | \$1,125,465 |
| \$1,451,207 | \$1,362,769 | \$1,165,808 | \$1,041,908 | \$1,170,417 | \$857,338   |
| 202.79%     | 118.71%     | 204.93%     | 162.36%     | 98.38%      | 131.27%     |
| 74.70%      | 84.66%      | 77.25%      | 81.08%      | 86.45%      | 86.36%      |

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

|                                                                                            | 2023      | 2022      | 2021      | 2020      |
|--------------------------------------------------------------------------------------------|-----------|-----------|-----------|-----------|
| City's Proportion of the Net Pension Asset                                                 | 0.000000% | 0.000000% | 0.007590% | 0.013392% |
| City's Proportionate Share of the Net Pension Asset                                        | \$0       | \$0       | \$21,909  | \$27,926  |
| City's Covered Payroll                                                                     | \$48,021  | \$44,971  | \$0       | \$59,614  |
| City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll | 0.00%     | 0.00%     | 0.00%     | 46.84%    |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability                 | 137.14%   | 157.67%   | 145.28%   | 126.64%   |

(1) Amounts for the combined plan are not presented prior to 2018 as the City's participation in this plan was considered immaterial in previous years.

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

See accompanying notes to the required supplementary information

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| <u>2019</u> | <u>2018</u> |
|-------------|-------------|
| 0.012923%   | 0.013429%   |
| \$14,451    | \$18,281    |
| \$55,271    | \$55,000    |
| 26.15%      | 33.24%      |
| 137.28%     | 116.55%     |

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

|                                                                                                     | 2023        | 2022        | 2021        | 2020        |
|-----------------------------------------------------------------------------------------------------|-------------|-------------|-------------|-------------|
| City's Proportion of the Net OPEB Liability (Asset)                                                 | 0.011554%   | 0.011057%   | 0.010948%   | 0.010849%   |
| City's Proportionate Share of the Net OPEB Liability (Asset)                                        | \$72,849    | (\$346,322) | (\$195,047) | \$1,498,528 |
| City's Covered Payroll                                                                              | \$1,922,928 | \$1,724,218 | \$1,655,832 | \$1,639,068 |
| City's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll | 3.79%       | -20.09%     | -11.78%     | 91.43%      |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability                             | 94.79%      | 128.23%     | 115.57%     | 47.80%      |

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the report supplementary information

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| <u>2019</u> | <u>2018</u> | <u>2017</u> |
|-------------|-------------|-------------|
| 0.010745%   | 0.010330%   | 0.010590%   |
| \$1,400,894 | \$1,121,762 | \$1,069,626 |
| \$1,561,103 | \$1,463,302 | \$1,269,608 |
| 89.74%      | 76.66%      | 84.25%      |
| 46.33%      | 54.14%      | 54.04%      |

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

|                                                                                                | 2023        | 2022        | 2021        | 2020        |
|------------------------------------------------------------------------------------------------|-------------|-------------|-------------|-------------|
| City's Proportion of the Net Pension Liability                                                 | 0.0246683%  | 0.0228256%  | 0.0227917%  | 0.0193532%  |
| City's Proportionate Share of the Net Pension Liability                                        | \$2,343,249 | \$1,426,011 | \$1,553,731 | \$1,303,735 |
| City's Covered Payroll                                                                         | \$703,886   | \$575,226   | \$587,056   | \$476,643   |
| City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 332.90%     | 247.90%     | 264.66%     | 273.52%     |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability                     | 62.90%      | 75.03%      | 70.65%      | 69.89%      |

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

See accompanying notes to the required supplementary information

| 2019        | 2018        | 2017        | 2016        | 2015        | 2014        |
|-------------|-------------|-------------|-------------|-------------|-------------|
| 0.0199500%  | 0.0200530%  | 0.0212840%  | 0.0210600%  | 0.0206536%  | 0.0206536%  |
| \$1,628,447 | \$1,230,744 | \$1,348,107 | \$1,354,804 | \$1,069,942 | \$1,005,894 |
| \$472,109   | \$448,713   | \$454,728   | \$440,284   | \$422,474   | \$336,540   |
| 344.93%     | 274.28%     | 296.46%     | 307.71%     | 253.26%     | 298.89%     |
| 63.07%      | 70.91%      | 68.36%      | 66.77%      | 71.71%      | 73.00%      |



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

|                                                                                             | 2023       | 2022       | 2021       | 2020       |
|---------------------------------------------------------------------------------------------|------------|------------|------------|------------|
| City's Proportion of the Net OPEB Liability                                                 | 0.0246683% | 0.0228526% | 0.0227917% | 0.0193532% |
| City's Proportionate Share of the Net OPEB Liability                                        | \$175,632  | \$250,188  | \$241,482  | \$191,166  |
| City's Covered Payroll                                                                      | \$703,886  | \$575,226  | \$587,056  | \$476,643  |
| City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 24.95%     | 43.49%     | 41.13%     | 40.11%     |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability                     | 52.59%     | 46.90%     | 45.40%     | 47.08%     |

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the report supplementary information

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| <u>2019</u> | <u>2018</u> | <u>2017</u> |
|-------------|-------------|-------------|
| 0.0199500%  | 0.0200530%  | 0.0212840%  |
| \$181,676   | \$1,136,176 | \$1,010,304 |
| \$472,109   | \$448,713   | \$454,728   |
| 38.48%      | 253.21%     | 222.18%     |
| 46.57%      | 14.13%      | 15.96%      |

**City of Wellston, Ohio**  
*Required Supplementary Information*  
*Schedule of City Contributions*  
*Ohio Public Employees Retirement System*  
*Last Ten Years*

|                                                                      | 2023             | 2022             | 2021             | 2020             |
|----------------------------------------------------------------------|------------------|------------------|------------------|------------------|
| <b>Net Pension Liability - Traditional Plan</b>                      |                  |                  |                  |                  |
| Contractually Required Contribution                                  | \$282,931        | \$262,487        | \$235,094        | \$225,436        |
| Contributions in Relation to the Contractually Required Contribution | <u>(282,931)</u> | <u>(262,487)</u> | <u>(235,094)</u> | <u>(225,436)</u> |
| Contribution Deficiency (Excess)                                     | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       |
| City Covered Payroll                                                 | \$2,020,936      | \$1,874,907      | \$1,679,243      | \$1,610,257      |
| Contributions as a Percentage of Covered Payroll                     | <u>14.00%</u>    | <u>14.00%</u>    | <u>14.00%</u>    | <u>14.00%</u>    |
| <b>Net Pension Asset - Combined Plan</b>                             |                  |                  |                  |                  |
| Contractually Required Contribution                                  | \$0              | \$6,723          | \$6,296          | \$0              |
| Contributions in Relation to the Contractually Required Contribution | <u>0</u>         | <u>(6,723)</u>   | <u>(6,296)</u>   | <u>0</u>         |
| Contribution Deficiency (Excess)                                     | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       |
| City Covered Payroll                                                 | \$0              | \$48,021         | \$44,971         | \$0              |
| Contributions as a Percentage of Covered Payroll                     | <u>14.00%</u>    | <u>14.00%</u>    | <u>14.00%</u>    | <u>0.00%</u>     |
| <b>Net OPEB Liability (Asset) - OPEB Plan (2)</b>                    |                  |                  |                  |                  |
| Contractually Required Contribution                                  | \$1,671          | \$1,921          | \$1,799          | \$1,823          |
| Contributions in Relation to the Contractually Required Contribution | <u>(1,671)</u>   | <u>(1,921)</u>   | <u>(1,799)</u>   | <u>(1,823)</u>   |
| Contribution Deficiency (Excess)                                     | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       |
| City Covered Payroll (1)                                             | \$2,123,154      | \$1,922,928      | \$1,724,214      | \$1,610,257      |
| Contributions as a Percentage of Covered Payroll                     | <u>0.08%</u>     | <u>0.10%</u>     | <u>0.10%</u>     | <u>0.11%</u>     |

(1) The OPEB plan includes the members from the traditional plan, the combined plan, and the member directed plan. The member directed plan is a defined contribution plan; therefore, the pension side is not included above.

(2) Information prior to 2016 is not available.

See accompanying notes to the required supplementary information.

| 2019        | 2018        | 2017        | 2016        | 2015        | 2014        |
|-------------|-------------|-------------|-------------|-------------|-------------|
| \$214,890   | \$203,169   | \$177,160   | \$139,897   | \$125,029   | \$140,450   |
| (214,890)   | (203,169)   | (177,160)   | (139,897)   | (125,029)   | (140,450)   |
| \$0         | \$0         | \$0         | \$0         | \$0         | \$0         |
| \$1,534,929 | \$1,451,207 | \$1,362,769 | \$1,165,808 | \$1,041,908 | \$1,170,417 |
| 14.00%      | 14.00%      | 13.00%      | 12.00%      | 12.00%      | 12.00%      |
| \$8,346     | \$7,738     | \$7,150     | \$6,828     | \$6,600     | \$6,000     |
| (8,346)     | (7,738)     | (7,150)     | (6,828)     | (6,600)     | (6,000)     |
| \$0         | \$0         | \$0         | \$0         | \$0         | \$0         |
| \$59,614    | \$55,271    | \$55,000    | \$56,900    | \$55,000    | \$50,000    |
| 14.00%      | 14.00%      | 13.00%      | 12.00%      | 12.00%      | 12.00%      |
| \$1,781     | \$2,185     | \$15,999    | \$26,330    |             |             |
| (1,781)     | (2,185)     | (15,999)    | (26,330)    |             |             |
| \$0         | \$0         | \$0         | \$0         |             |             |
| \$1,594,543 | \$1,506,478 | \$1,417,777 | \$1,222,708 |             |             |
| 0.11%       | 0.15%       | 1.13%       | 2.15%       |             |             |

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

|                                                                         | 2023             | 2022             | 2021             | 2020             |
|-------------------------------------------------------------------------|------------------|------------------|------------------|------------------|
| <b>Net Pension Liability</b>                                            |                  |                  |                  |                  |
| Contractually Required Contribution                                     | \$135,043        | \$140,681        | \$115,661        | \$118,255        |
| Contributions in Relation to the<br>Contractually Required Contribution | <u>(135,043)</u> | <u>(140,681)</u> | <u>(115,661)</u> | <u>(118,255)</u> |
| Contribution Deficiency (Excess)                                        | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       |
| City Covered Payroll (1)                                                | \$676,617        | \$703,886        | \$575,226        | \$587,056        |
| Pension Contributions as a Percentage of<br>Covered Payroll             | <u>19.96%</u>    | <u>19.99%</u>    | <u>20.11%</u>    | <u>20.14%</u>    |
| <b>Net OPEB Liability</b>                                               |                  |                  |                  |                  |
| Contractually Required Contribution                                     | \$3,383          | \$3,158          | \$2,877          | \$2,935          |
| Contributions in Relation to the<br>Contractually Required Contribution | <u>(3,383)</u>   | <u>(3,158)</u>   | <u>(2,877)</u>   | <u>(2,935)</u>   |
| Contribution Deficiency (Excess)                                        | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       |
| OPEB Contributions as a Percentage of<br>Covered Payroll                | <u>0.50%</u>     | <u>0.45%</u>     | <u>0.50%</u>     | <u>0.50%</u>     |
| Total Contributions as a Percentage of<br>Covered Payroll               | <u>20.46%</u>    | <u>20.44%</u>    | <u>20.61%</u>    | <u>20.64%</u>    |

(1) The City's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information

| 2019            | 2018            | 2017            | 2016              | 2015              | 2014              |
|-----------------|-----------------|-----------------|-------------------|-------------------|-------------------|
| \$97,146        | \$95,380        | \$91,613        | \$92,657          | \$89,864          | \$86,434          |
| <u>(97,146)</u> | <u>(95,380)</u> | <u>(91,613)</u> | <u>(92,657)</u>   | <u>(89,864)</u>   | <u>(86,434)</u>   |
| <u>\$0</u>      | <u>\$0</u>      | <u>\$0</u>      | <u>\$0</u>        | <u>\$0</u>        | <u>\$0</u>        |
| \$476,643       | \$472,109       | \$448,713       | \$454,728         | \$440,284         | \$422,474         |
| <u>20.38%</u>   | <u>20.20%</u>   | <u>20.42%</u>   | <u>20.38%</u>     | <u>20.41%</u>     | <u>20.46%</u>     |
| \$2,384         | \$2,361         | \$2,243         | \$2,273           | \$2,201           | \$2,113           |
| <u>(2,384)</u>  | <u>(2,361)</u>  | <u>(2,243)</u>  | <u>(92,657)</u>   | <u>(89,864)</u>   | <u>(86,434)</u>   |
| <u>\$0</u>      | <u>\$0</u>      | <u>\$0</u>      | <u>(\$90,384)</u> | <u>(\$87,663)</u> | <u>(\$84,321)</u> |
| <u>0.50%</u>    | <u>0.50%</u>    | <u>0.50%</u>    | <u>0.50%</u>      | <u>0.50%</u>      | <u>0.50%</u>      |
| <u>20.88%</u>   | <u>20.70%</u>   | <u>20.92%</u>   | <u>20.88%</u>     | <u>20.91%</u>     | <u>20.96%</u>     |

**City of Wellston, Ohio**  
*Notes to the Required Supplementary Information*  
For the Year Ended December 31, 2023

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**Changes in Assumptions – OPERS Pension – Traditional Plan**

Amounts reported beginning in 2022 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in prior years are presented below:

|                               | 2022                                                 | 2019 through 2021                                    | 2018 and 2017                                        | 2016 and prior                                       |
|-------------------------------|------------------------------------------------------|------------------------------------------------------|------------------------------------------------------|------------------------------------------------------|
| Wage Inflation                | 2.75 percent                                         | 3.25 percent                                         | 3.25 percent                                         | 3.75 percent                                         |
| Future Salary Increases       | 2.75 to 10.75 percent<br>including<br>wage inflation | 3.25 to 10.75 percent<br>including<br>wage inflation | 3.25 to 10.75 percent<br>including<br>wage inflation | 4.25 to 10.05 percent<br>including<br>wage inflation |
| COLA or Ad Hoc COLA:          |                                                      |                                                      |                                                      |                                                      |
| Pre-January 7, 2013 Retirees  | 3 percent, simple                                    | 3 percent, simple                                    | 3 percent, simple                                    | 3 percent, simple                                    |
| Post-January 7, 2013 Retirees | see below                                            | see below                                            | see below                                            | see below                                            |
| Investment Rate of Return     | 6.9 percent                                          | 7.2 percent                                          | 7.5 percent                                          | 8 percent                                            |
| Actuarial Cost Method         | Individual<br>Entry Age                              | Individual<br>Entry Age                              | Individual<br>Entry Age                              | Individual<br>Entry Age                              |

The assumptions related to COLA or Ad Hoc COLA for Post-January 7, 2013, Retirees are as follows:

|                   |                                                                                                               |
|-------------------|---------------------------------------------------------------------------------------------------------------|
| 2023              | 3.0 percent, simple through 2023<br>then 2.05 percent, simple                                                 |
| 2022              | 3.0 percent, simple through 2022<br>then 2.05 percent, simple                                                 |
| 2021              | 0.5 percent, simple through 2021<br>then 2.15 percent, simple                                                 |
| 2020              | 1.4 percent, simple through 2020<br>then 2.15 percent, simple                                                 |
| 2017 through 2019 | 3.0 percent, simple through 2018                                                                              |
| 2016 and prior    | 3.0 percent, simple through 2018<br>then 2.80 percent, simple<br>5.50 to 5.00 percent<br>7.50 to 5.00 percent |

Amounts reported beginning in 2022 use pre-retirement mortality rates based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all these tables.

Amounts reported for 2017 through 2021 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as

**City of Wellston, Ohio**  
*Notes to the Required Supplementary Information*  
For the Year Ended December 31, 2023

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2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

**Changes in Assumptions – OPERS Pension – Combined Plan**

|                               | 2022                                                | 2019 through 2021                                   | 2018                                                |
|-------------------------------|-----------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|
| Wage Inflation                | 2.75 percent                                        | 3.25 percent                                        | 3.25 percent                                        |
| Future Salary Increases       | 2.75 to 8.25 percent<br>including<br>wage inflation | 3.25 to 8.25 percent<br>including<br>wage inflation | 3.25 to 8.25 percent<br>including<br>wage inflation |
| COLA or Ad Hoc COLA:          |                                                     |                                                     |                                                     |
| Pre-January 7, 2013 Retirees  | 3 percent, simple                                   | 3 percent, simple                                   | 3 percent, simple                                   |
| Post-January 7, 2013 Retirees | see below                                           | see below                                           | see below                                           |
| Investment Rate of Return     | 6.9 percent                                         | 7.2 percent                                         | 7.5 percent                                         |
| Actuarial Cost Method         | Individual<br>Entry Age                             | Individual<br>Entry Age                             | Individual<br>Entry Age                             |

For 2022, 2021, and 2020, the Combined Plan had the same change in COLA or Ad Hoc COLA for Post-January 2, 2013, retirees as the Traditional Plan.

**Changes in Assumptions – OP&F Pension**

Amounts reported beginning in 2018 incorporate changes in assumptions used by OP&F in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2017 and prior are presented below:

|                            | Beginning in 2018                                                                                                                                 | 2017 and Prior                                                                                                       |
|----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|
| Actuarial Cost Method      | Entry Age Normal                                                                                                                                  | Entry Age Normal                                                                                                     |
| Investment Rate of Return  | 8.0 percent                                                                                                                                       | 8.25 percent                                                                                                         |
| Projected Salary Increases | 3.75 percent to 10.5 percent                                                                                                                      | 4.25 percent to 11 percent                                                                                           |
| Payroll Growth             | 3.25 percent per annum,<br>compounded annually, consisting of<br>Inflation rate of 2.75 percent plus<br>productivity increase rate of 0.5 percent | Inflation rate of 3.25 percent plus<br>productivity increase rate of 0.5 percent                                     |
| Cost of Living Adjustments | 2.2 percent simple<br>for increases based on the lesser of the<br>increase in CPI and 3 percent                                                   | 3.00 percent simple; 2.6 percent simple<br>for increases based on the lesser of the<br>increase in CPI and 3 percent |

Beginning in 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for 2018 through 2021 to 7.5 percent for 2022 and forward.



**City of Wellston, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Year Ended December 31, 2023*

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Beginning in 2023, mortality for service retirees is based on the Pub-2010 Below-Median Safety Amount-Weighted Healthy Retiree mortality table with rates adjusted by 96.2 percent for males and 98.7 percent for females. All rates are projected using the MP-2021 Improvement Scale.

Beginning in 2023, mortality for disabled retirees is based on the Pub-2010 Safety Amount-Weighted Disabled Retiree mortality table with rates adjusted by 135 percent for males and 97.9 percent for females. All rates are projected using the MP-2021 Improvement Scale.

Beginning in 2023, mortality for contingent annuitants is based on the Pub- 2010 Below-Median Safety Amount-Weighted Contingent Annuitant Retiree mortality table with rates adjusted by 108.9 percent for males and 131 percent for females. All rates are projected using the MP-2021 Improvement Scale.

Beginning in 2023, mortality for active members is based on the Pub-2010 Below-Median Safety Amount-Weighted Employee mortality table. All rates are projected using the MP- 2021 Improvement Scale.

Prior to 2023, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

| Age        | Police | Fire |
|------------|--------|------|
| 67 or less | 77 %   | 68 % |
| 68-77      | 105    | 87   |
| 78 and up  | 115    | 120  |

Prior to 2023, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

| Age        | Police | Fire |
|------------|--------|------|
| 59 or less | 35 %   | 35 % |
| 60-69      | 60     | 45   |
| 70-79      | 75     | 70   |
| 80 and up  | 100    | 90   |

**City of Wellston, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Year Ended December 31, 2023*

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**Changes in Assumptions – OPERS OPEB**

|                                                        |                                                         |
|--------------------------------------------------------|---------------------------------------------------------|
| Wage Inflation:                                        |                                                         |
| 2023 and 2022                                          | 2.75 percent                                            |
| 2021 and prior                                         | 3.25 percent                                            |
| Projected Salary Increases (including wage inflation): |                                                         |
| 2023 and 2022                                          | 2.75 to 10.75 percent                                   |
| 2021 and prior                                         | 3.25 to 10.75 percent                                   |
| Investment Return Assumption:                          |                                                         |
| Beginning in 2019                                      | 6.00 percent                                            |
| 2018                                                   | 6.50 percent                                            |
| Municipal Bond Rate:                                   |                                                         |
| 2023                                                   | 4.05 percent                                            |
| 2022                                                   | 1.84 percent                                            |
| 2021                                                   | 2.00 percent                                            |
| 2020                                                   | 2.75 percent                                            |
| 2019                                                   | 3.71 percent                                            |
| 2018                                                   | 3.31 percent                                            |
| Single Discount Rate:                                  |                                                         |
| 2023                                                   | 5.22 percent                                            |
| 2022                                                   | 6.00 percent                                            |
| 2021                                                   | 6.00 percent                                            |
| 2020                                                   | 3.16 percent                                            |
| 2019                                                   | 3.96 percent                                            |
| 2018                                                   | 3.85 percent                                            |
| Health Care Cost Trend Rate:                           |                                                         |
| 2023                                                   | 5.5 percent, initial<br>3.5 percent, ultimate in 2036   |
| 2022                                                   | 5.5 percent, initial<br>3.5 percent, ultimate in 2034   |
| 2021                                                   | 8.5 percent, initial<br>3.5 percent, ultimate in 2035   |
| 2020                                                   | 10.5 percent, initial<br>3.5 percent, ultimate in 2030  |
| 2019                                                   | 10.0 percent, initial<br>3.25 percent, ultimate in 2029 |
| 2018                                                   | 7.5 percent, initial<br>3.25 percent, ultimate in 2028  |

**Changes in Assumptions – OP&F OPEB**

|                        |              |
|------------------------|--------------|
| Blended Discount Rate: |              |
| 2023                   | 4.27 percent |
| 2022                   | 2.84 percent |
| 2021                   | 2.96 percent |
| 2020                   | 3.56 percent |
| 2019                   | 4.66 percent |
| 2018                   | 3.24 percent |

For 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for 2018 through 2021 to 7.5 percent for 2022 and 2023.

**City of Wellston, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Year Ended December 31, 2023*

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**Changes in Benefit Terms – OPERS OPEB**

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in 2021.

**Changes in Benefit Terms – OP&F OPEB**

For 2019, OP&F recognized a change in benefit terms. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements. This new model replaced the self-insured health care plan used in prior years.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

City of Wellston  
Jackson County  
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 of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by 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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 28, 2024.

***Report on Internal Control Over Financial Reporting***

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. *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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*BHM CPA Group*

BHM CPA Group, Inc  
Circleville, Ohio  
August 28, 2024

**City of Wellston, Ohio**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**December 31, 2023**

| <b>Finding Number</b> | <b>Finding Summary</b>                                                                                                                   | <b>Status</b> | <b>Additional Information</b> |
|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------|---------------|-------------------------------|
| 2022-001              | Ohio Rev. Code § 5705.39, appropriations exceeded estimated revenues                                                                     | Corrected     |                               |
| 2022-002              | Ohio Rev. Code § 5705.41(D)(1), certificate of the fiscal officer attached to orders and contracts                                       | Corrected     |                               |
| 2022-003              | Ohio Admin. Code § 117-2-02 (A) & § 117-2-02 (D)(4)(c), maintain sufficient accounting system and records & capital asset records        | Corrected     |                               |
| 2022-004              | Ordinance 2021-41, regulation requiring owners of property owned for rental purposes to obtain a rental dwelling or rooming house permit | Corrected     |                               |
| 2022-005              | Material weakness for reconciliation of cash balances to accounting system records                                                       | Corrected     |                               |
| 2022-006              | Material weakness for appropriations as approved by City Council did not agree to the City's accounting system                           | Corrected     |                               |
| 2022-007              | Material Weakness for errors in the financial statements that required audit adjustment or reclassification                              | Corrected     |                               |

# OHIO AUDITOR OF STATE KEITH FABER



**CITY OF WELLSTON**

**JACKSON COUNTY**

## **AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 10/22/2024**

65 East State Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)