OHIO AUDITOR OF STATE
KEITH FABER

CITY OF WELLSTON
JACKSON COUNTY
DECEMBER 31, 2022

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JACKSON COUNTY
DECEMBER 31, 2022

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OHIO AUDITOR OF STATE
KEITH FABER

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INDEPENDENT AUDITOR'S REPORT

City of Wellston
Jackson County
203 E. Broadway Street
Wellston, Ohio 45692

To the City Council:

Report on the Audit of the Financial Statements

Qualified and Unmodified 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Qualified
Business-Type Activities	Qualified
General Fund	Unmodified
Fire Levy Fund	Unmodified
Street Fund	Unmodified
County Sales Tax Fund	Unmodified
Recreation Fund	Unmodified
Permanent Improvement Fund	Unmodified
Water Fund	Qualified
Sewer Fund	Qualified
Garbage Fund	Unmodified
Aggregated Remaining Fund Information	Unmodified

Qualified Opinions on Governmental Activities, Business-Type Activities, Water Fund, and Sewer Fund

In our opinion, except for the effects of the matter described in the *Basis for Qualified and Unmodified Opinions* section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Governmental Activities, Business-Type Activities, Water Fund, and Sewer Fund of the City of Wellston as of December 31, 2022, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, Fire Levy Fund, Street Fund, County Sales Tax Fund, Recreation Fund, Permanent Improvement Fund, Garbage Fund, and the aggregate remaining fund information of the City of Wellston, Jackson County, Ohio as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, Fire Levy Fund, Street Fund, County Sales Tax Fund, and Recreation Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified 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 qualified and unmodified audit opinions.

Matter Giving Rise to Qualified Opinions on Governmental Activities, Business-Type Activities, Water Fund, and Sewer Fund

Management has not adopted a methodology for reviewing and recording capital assets. Accounting principles generally accepted in the United States of America require that sufficient competent evidential matter support the City's capital asset balances and support the reported accumulated depreciation and current period depreciation expense in Governmental Activities, Business-Type Activities, Major Water Fund, and Major Sewer Fund. The amount by which this departure would affect the assets, net position/fund balances and expenses of the Governmental Activities, Business-Type Activities, Major Water Fund, and Major Sewer Fund has not been determined.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2022, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases.* Our opinion is not modified with respect to this matter.

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 April 16, 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.

Keith Faber
Auditor of State
Columbus, Ohio

April 16, 2024

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, 2022. 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 2022 are as follows:

- The City's total net position increased by $1,188,444, from the total net position at the beginning of the year.
- At the end of the current year, the City's governmental activities reported total net position of $8,431,865, a increase of $858,087 from the prior year.
- At the end of the current year, the City's business-type activities reported total net position of $12,540,686, an increase of $330,357 from the prior year.
- At the end of the current year, unassigned fund balance for the General Fund was $686,719, a decrease from the prior year of $441,206.

Using this Annual Financial Report

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

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

Reporting the City of Wellston as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2022?" 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.

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, Street, and County Sales Tax Special Revenue Funds, and the Permanent Investment Capital Projects Fund.

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

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

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

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

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

The City of Wellston as a Whole

Recall that the Statement of Net Position looks at the City as a whole. Table 1 provides a summary of the City's net position for 2022 compared to 2021.

Table 1 - Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	Restated 2021	2022	Restated 2021	2022	Restated 2021
Assets						
Current and Other Assets	$6,912,676	$7,602,712	$5,235,182	$5,027,252	$12,147,858	$12,629,964
Net Pension Asset	0	9,640	0	12,269	0	21,909
Net OPEB Asset	131,602	85,821	214,720	109,226	346,322	195,047
Capital Assets	5,574,482	4,389,982	12,386,632	12,126,395	17,961,114	16,516,377
Total Assets	12,618,760	12,088,155	17,836,534	17,275,142	30,455,294	29,363,297
Deferred Outflows of Resources						
Pension	806,572	615,455	397,950	141,856	1,204,522	757,311
OPEB	161,917	247,842	17,580	54,757	179,497	302,599
Asset Retirement Obligation	0	0	78,130	81,084	78,130	81,084
Total Deferred Outflows	968,489	863,297	493,660	277,697	1,462,149	1,140,994
Liabilities						
Current and Other Liabilitites	347,172	371,123	123,175	175,888	470,347	547,011
Long-term Liabilities:						
Due Within One Year	115,468	149,564	289,229	232,925	404,697	382,489
Due in More than One Year:						
Asset Retirement Obligation	0	0	166,000	166,000	166,000	166,000
Net Pension Liability	1,808,533	2,298,641	624,115	948,068	2,432,648	3,246,709
Net OPEB Liability	250,188	241,482	0	0	250,188	241,482
Other Amounts	540,050	616,665	3,572,882	3,019,016	4,112,932	3,635,681
Total Liabilities	3,061,411	3,677,475	4,775,401	4,541,897	7,836,812	8,219,372
Deferred Inflows of Resources						
Property Taxes	588,030	568,609	0	0	588,030	568,609
Pension	1,023,066	513,801	775,668	433,572	1,798,734	947,373
OPEB	257,515	384,917	238,439	367,041	495,954	751,958
Deferred Inflows Lease	225,362	232,872	0	0	225,362	232,872
Total Deferred Inflows	2,093,973	1,700,199	1,014,107	800,613	3,108,080	2,500,812
Net Position						
Net Investment in Capital Assets	5,014,543	3,757,893	8,927,577	8,916,581	13,942,120	12,674,474
Restricted	3,989,676	4,374,209	23,144		4,012,820	4,374,209
Unrestricted (Deficit)	(572,354)	(558,324)	3,589,965	3,293,748	3,017,611	2,735,424
Total Net Position	$8,431,865	$7,573,778	$12,540,686	$12,210,329	$20,972,551	$19,784,107

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2022. 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 decreased $530,625, mainly due to decrease in equity in pooled cash and restatement to report leases receivable. Property taxes receivable increased during 2022 due to an increase in the amounts certified to be collected by the County Auditor.

Current liabilities decreased $23,951 mainly due to a decrease in unearned revenue. Long-term liabilities decreased $592,113 primarily due to the net pension liability decreasing. As indicated above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension and OPEB liability.

For business-type activities, total assets increased $561,392. Equity in pooled cash and cash equivalents increased $207,930, while capital assets increased $260,237. Current liabilities decreased $52,713 while long-term liabilities increased $286,217.

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 2022 and 2021.

Table 2 - Changes in Net Position

Revenues	Governmental Activities 2022	Business-Type Activities 2022	Total 2022	Restated Governmental Activities 2021	Business-Type Activities 2021	Total 2021
Program Revenues:						
Charges for Services	$518,872	$3,831,510	$4,350,382	$516,150	$3,765,573	$4,281,723
Operating Grants and Contributions	1,037,712	757,109	1,794,821	795,023	62,003	857,026
Capital Grants and Contributions	1,061,522	0	1,061,522	0	0	0
Total Program Revenues	2,618,106	4,588,619	7,206,725	1,311,173	3,827,576	5,138,749
General Revenues:						
Property Taxes	671,995	0	671,995	659,678	0	659,678
Income Taxes	1,341,739	0	1,341,739	1,319,572	0	1,319,572
Grants and Entitlements	189,633	0	189,633	137,896	0	137,896
Investment Earnings	45,119	0	45,119	60,757	0	60,757
Gain on Sale of Capital Assets	12,000	0	12,000	0	16,700	16,700
Miscellaneous	93,217	13,049	106,266	56,485	86	56,571
Utility Deposits Received	0	0	0	0	0	0
Total General Revenues	2,353,703	13,049	2,366,752	2,234,388	16,786	2,251,174
Total Revenues	4,971,809	4,601,668	9,573,477	3,545,561	3,844,362	7,389,923
Program Expenses						
General Government	1,014,794	0	1,014,794	796,088	0	796,088
Security of Persons and Property:						
Police	1,289,406	0	1,289,406	1,079,144	0	1,079,144
Fire	635,527	0	635,527	514,469	0	514,469
Transportation	560,242	0	560,242	640,395	0	640,395
Leisure Time Activities	83,175	0	83,175	39,298	0	39,298
Public Health Services	285,974	0	285,974	75,375	0	75,375
Community Environment	224,157	0	224,157	355,381	0	355,381
Interest and Fiscal Charges	20,447	0	20,447	22,761	0	22,761
Water	0	2,652,014	2,652,014	0	1,359,753	1,359,753
Sewer	0	1,309,548	1,309,548	0	749,256	749,256
Garbage	0	309,749	309,749	0	280,616	280,616
Total Program Expenses	4,113,722	4,271,311	8,385,033	3,522,911	2,389,625	5,912,536
Change in Net Position	858,087	330,357	1,188,444	22,650	1,454,737	1,477,387
Net Position Beginning of Year	7,573,778	12,210,329	19,784,107	7,551,128	10,755,592	18,306,720
Net Position End of Year	$8,431,865	$12,540,686	$20,972,551	$7,573,778	$12,210,329	$19,784,107

Governmental Activities

Operating grants and contributions and capital grants and contributions accounted for 42.2 percent of total governmental revenues. Property taxes revenue provided 13.5 percent of total governmental revenues, and 27.0 percent was generated from income taxes. Income taxes, property taxes, and unrestricted grants and entitlements combined, provided 44.3 percent of the City's total governmental revenues.

The City received $518,872 of total governmental revenues, in charges for services. This was an increase of $2,722 from 2021, which was primarily due to an increase in fire department training fees. In addition to these training fees, court fines and forfeitures, police security services, and licenses and permits increased.

The City's security of persons and property, activities accounted for $1,924,933 of total expenses. This was a increase from 2021 of $331,320, primarily due to an increase in overall expenses for the police department.

In governmental activities, operating grants and contributions increased $242,689 due an increase in grant funding in 2022.

General Government program expenses accounted for $1,014,794. This was an increase in expenses of $218,706, primarily due to a decrease in the use of materials and supplies and overall expenditures.

Business-Type Activities

The City's business-type activities are for water, sewer, and garbage services. During 2022, program revenues exceeded expenses by $317,308. Water expenses increased from 2021 by $1,292,261. Sewer expenses increased from 2021 by $560,292. Garbage expenses increased from 2021 by $29,133.

The minimum water rate is $11 for the first one thousand gallons of water. Sewer fees are calculated on the amount of water used. The minimum sewer rate is $16 per month. Garbage fees are assessed at a rate of a $16 per month for a 1 yard container and varies for larger capacity containers.

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 2022, fund balance was $1,410,106. 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 30 percent of total General Fund expenditures, while total fund balance represents 61.5 percent of that same amount. The fund balance of the City's General Fund decreased by $227,095.

Other Major Governmental Funds

The fund balance of the Fire Levy Special Revenue Fund at December 31, 2022, was $108,661, a decrease of $40,666.

The Street Special Revenue Fund at December 31, 2022, was $195,245, a decrease of $110,949.

The County Sales Tax Special Revenue Fund had a fund balance of $104,491, which was a decrease of $156,638 from 2021

The Recreation Special Revenue Fund had a fund balance of $17,014, which was a decrease of $29,945 from 2021.

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 $12,239, primarily due to expenditures exceeding revnues. The Sewer Fund's net position increased $224,283, primarily due to revenues exceeding expenditures. The Garbage Fund's net position increased $118,313. The increase in the Garbage Fund's net position was primarily due to revenues exceeding expenditures.

General Fund Budgetary Highlights

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

During the course of 2022, the City amended its budget several times, due to revenues being received in the middle of 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 were under the final budget in the amount of $7,072. The original appropriations were increased $400,751; however, the actual expenditures were $489,098 less than the final budget for expenditures. The City's ending unencumbered fund balance in the General Fund was $482,026 above the final budgeted amount. This is due to the City continuing to make every reasonable effort to hold costs down and maximize the returns the City receives for the monies that are spent.

Capital Assets and Debt Administration

Capital Assets

Total capital assets for the governmental activities, net of accumulated depreciation, decreased from the prior year as a result of depreciation exceeding the additions of assets. These additions include a tractor, two all-terrain vehicles, and a cruiser.

Total capital assets for the business-type assets, net of accumulated depreciation, increased from the prior year as a result of additions outpacing current year annual depreciation. These additions include an excavator, utility tractor, trailer, and a truck. Additions to construction in progress include the construction of the Water System Improvements, New York and Broadway Sewer and the Sewer Lift Station. For additional information, see Note 10.

Long-term Obligations

As of December 31, 2022, long-term obligations include OPWC loans, OWDA loans, other loans, leases, net pension liability, net OPEB liability, 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 liability, net OPEB Liability, 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, 2022

	Governmental Activities	Business-Type Activities	Total*
Assets			
Equity in Pooled Cash and Cash Equivalents	$2,122,250	$4,512,979	$6,635,229
Investments	2,632,283	0	2,632,283
Accrued Interest Receivable	10,140	0	10,140
Accounts Receivable	418	666,234	666,652
Permissive Motor Vehicle License Tax Receivable	33,996	0	33,996
Intergovernmental Receivable	456,639	0	456,639
Income Taxes Receivable	458,396	0	458,396
Property Taxes Receivable	802,093	0	802,093
Loans Receivable	96,541	0	96,541
Leases Receivable	225,157	0	225,157
Prepaid Items	766	316	1,082
Materials and Supplies Inventory	73,997	55,653	129,650
Net OPEB Asset	131,602	214,720	346,322
Non-Depreciable Capital Assets	1,550,362	525,679	2,076,041
Depreciable Capital Assets, net	4,024,120	11,860,953	15,885,073
Total Assets	12,618,760	17,836,534	30,455,294
Deferred Outflows of Resources			
Pension	806,572	397,950	1,106,512
OPEB	161,917	17,580	152,553
Asset Retirement Obligation	0	78,130	78,130
Total Deferred Outflows of Resources	968,489	493,660	1,337,195
Liabilities			
Accounts Payable	90,314	141,207	231,521
Contracts Payable	0	67,453	67,453
Accrued Wages Payable	28,197	22,512	50,709
Intergovernmental Payable	58,302	37,413	95,715
Accrued Interest Payable	11,052	20,590	31,642
Unearned Revenue	159,307	0	159,307
Long-Term Liabilities:			
Due Within One Year	115,468	289,229	404,697
Due In More Than One Year:			
Net Pension Liability	1,808,533	624,115	2,432,648
Net OPEB Liability	250,188	0	250,188
Other Amounts Due in More than One Year	540,050	3,572,882	4,112,932
Total Liabilities	3,061,411	4,775,401	7,836,812
Deferred Inflows of Resources			
Property Taxes	588,030	0	588,030
Pension	1,023,066	775,668	1,700,724
OPEB	257,515	238,439	469,010
Leases	225,362	0	225,362
Total Deferred Inflows of Resources	2,093,973	1,014,107	2,983,126
Net Position			
Net Investment in Capital Assets	5,014,543	8,927,577	13,942,120
Restricted for:			
Street Construction	464,128	0	464,128
Recreation	17,014	0	17,014
Police Protection	15,521	0	15,521
Fire Protection	191,109	0	191,109
Cemetery	74,522	0	74,522
Community Development	485,842	0	485,842
Capital Projects	2,474,875	0	2,474,875
Cemetery Perpetual Care	251,268	0	251,268
Unclaimed Monies	2,989	0	2,989
Pension and OPEB Plans	12,408	23,144	35,552
Unrestricted (Deficit)	(572,354)	3,589,965	3,017,611
Total Net Position	$8,431,865	$12,540,686	$20,972,551

*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, 2022

		Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities				
General Government	$1,014,794	$99,877	$148,649	$0
Security of Persons and Property:				
Police	1,289,406	41,005	79,855	0
Fire	635,527	242,436	51,262	10,000
Transportation	560,242	82,563	498,100	0
Public Health Services	285,974	23,370	165,060	0
Leisure Time Activities	83,175	14,496	0	1,051,522
Community Environment	224,157	15,125	94,786	0
Interest and Fiscal Charges	20,447	0	0	0
Total Governmental Activities	4,113,722	518,872	1,037,712	1,061,522
Business-Type Activities				
Water	2,652,014	1,928,271	700,546	0
Sewer	1,309,548	1,477,268	56,563	0
Garbage	309,749	425,971	0	0
Total Business-Type Activities	4,271,311	3,831,510	757,109	0
Totals	$8,385,033	$4,350,382	$1,794,821	$1,061,522

General Revenues
Property Taxes Levied for:
General Purposes
Fire Protection
Cemetery
Streets
Income Taxes Levied for General Purposes
Grants and Entitlements not Restricted to Specific Programs
Investment Earnings 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 Activities	Business-Type Activities	Total
($766,268)	$0	($766,268)
(1,168,546)	0	(1,168,546)
(331,829)	0	(331,829)
20,421	0	20,421
(97,544)	0	(97,544)
982,843	0	982,843
(114,246)	0	(114,246)
(20,447)	0	(20,447)
(1,495,616)	0	(1,495,616)
0	(23,197)	(23,197)
0	224,283	224,283
0	116,222	116,222
0	317,308	317,308
(1,495,616)	317,308	(1,178,308)
203,864	0	203,864
282,845	0	282,845
58,608	0	58,608
126,678	0	126,678
1,341,739	0	1,341,739
189,633	0	189,633
45,119	0	45,119
12,000	0	12,000
93,217	13,049	106,266
2,353,703	13,049	2,366,752
858,087	330,357	1,188,444
7,573,778	12,210,329	19,784,107
$8,431,865	$12,540,686	$20,972,551

City of Wellston, Ohio
Balance Sheet
Governmental Funds
December 31, 2022

	General	Fire Levy	Street	Recreation	County Sales Tax	Permanent Investment	Other Governmental Funds	Total Governmental Funds
Assets								
Equity in Pooled Cash and Cash Equivalents	$1,180,126	$132,286	$84,174	$17,020	$33,749	$0	$671,906	$2,119,261
Restricted Cash and Cash Equivalents	2,989	0	0	0	0	0	0	2,989
Investments	0	0	0	0	0	2,433,835	198,448	2,632,283
Receivables:								
Accrued Interest	9,921	0	0	0	0	0	219	10,140
Accounts	418	0	0	0	0	0	0	418
Income Taxes	458,396	0	0	0	0	0	0	458,396
Property Taxes	253,975	328,872	0	0	0	0	219,246	802,093
Intergovernmental	100,352	13,618	172,898	0	161,930	0	7,841	456,639
Permissive Motor Vehicle License Taxes	0	0	33,996	0	0	0	0	33,996
Loans	0	0	0	0	0	0	96,541	96,541
Leases	225,157	0	0	0	0	0	0	225,157
Prepaid Items	617	73	60	0	16	0	0	766
Materials and Supplies Inventory	1,522	0	72,475	0	0	0	0	73,997
Total Assets	$2,233,473	$474,849	$363,603	$17,020	$195,695	$2,433,835	$1,194,201	$6,912,676
Liabilities								
Accounts Payable	$42,017	$11,646	$23,737	$0	$10,127	$0	$2,787	$90,314
Accrued Wages Payable	20,448	4,275	3,026	0	0	0	448	28,197
Unearned Revenue	0	0	0	0	0	0	159,307	159,307
Intergovernmental Payable	43,181	7,777	5,751	6	0	0	1,587	58,302
Total Liabilities	105,646	23,698	32,514	6	10,127	0	164,129	336,120
Deferred Inflows of Resources								
Property Taxes not Levied to Finance Current Year	186,194	241,102	0	0	0	0	160,734	588,030
Unavailable Revenue	306,165	101,388	135,844	0	81,077	0	66,068	690,542
Deferred Inflows Lease	225,362	0	0	0	0	0	0	225,362
Total Deferred Inflows of Resources	717,721	342,490	135,844	0	81,077	0	226,802	1,503,934
Fund Balances								
Nonspendable:								
Cemetery Perpetual Care	0	0	0	0	0	0	251,268	251,268
Inventories	1,522	0	72,475	0	0	0	0	73,997
Prepaid Items	617	73	60	0	16	0	0	766
Unclaimed Monies	2,989	0	0	0	0	0	0	2,989
Restricted for:								
Street Construction	0	0	122,710	0	0	0	94,805	217,515
Police Protection	0	0	0	0	0	0	15,521	15,521
Fire Protection	0	108,588	0	0	0	0	0	108,588
Recreation	0	0	0	17,014	0	0	0	17,014
Cemetery	0	0	0	0	0	0	53,514	53,514
Community Development	0	0	0	0	104,475	0	300,274	404,749
Capital Projects	0	0	0	0	0	2,433,835	41,040	2,474,875
Committed for:								
Community Development	0	0	0	0	0	0	81,076	81,076
Assigned to:								
Purchases on Order	76,239	0	0	0	0	0	0	76,239
Subsequent Year's Appropriations	642,020	0	0	0	0	0	0	642,020
Unassigned	686,719	0	0	0	0	0	(34,228)	652,491
Total Fund Balances	1,410,106	108,661	195,245	17,014	104,491	2,433,835	803,270	5,072,622
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$2,233,473	$474,849	$363,603	$17,020	$195,695	$2,433,835	$1,194,201	$6,912,676

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, 2022

Total Governmental Fund Balances		$5,072,622
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.		5,574,482
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:		
Delinquent Property Taxes	214,063	
Income Taxes	189,536	
Intergovernmental Revenues	286,943	690,542
The net pension asset, net pension liability, net OPEB asset, 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	806,572	
Deferred Inflows - Pension	(1,023,066)	
Net Pension Liability	(1,808,533)	
Net OPEB Asset	131,602	
Deferred Outflows - OPEB	161,917	
Deferred Inflows - OPEB	(257,515)	
Net OPEB Liability	(250,188)	(2,239,211)
Long-term liabilities, accrued interest, and vacation benefits that are not due and payable in the current period and therefore are not reported in the funds:		
Long-Term Loans Payable	(559,939)	
Accrued Interest Payable	(11,052)	
Compensated Absences Payable	(95,579)	(666,570)
Net Position of Governmental Activities		$8,431,865

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, 2022

	General	Fire Levy	Street	Recreation	County Sales Tax	Permanent Investment	Other Governmental Funds	Total Governmental Funds
Revenues								
Property Taxes	$198,718	$276,152	$0	$0	$0	$0	$180,826	$655,696
Income Taxes	1,350,071	0	0	0	0	0	0	1,350,071
Permissive Motor Vehicle License Taxes	0	0	82,563	0	0	0	0	82,563
Intergovernmental	210,839	53,170	347,437	1,051,522	345,447	0	260,543	2,268,958
Charges for Services	50,458	192,436	0	14,496	0	0	23,370	280,760
Fines, Forfeitures and Settlements	48,838	0	0	0	0	0	4,275	53,113
Licenses and Permits	76,806	0	0	0	0	0	0	76,806
Investment Earnings and Other Interest	45,119	0	0	0	0	0	4,069	49,188
Leases	7,510	0	0	0	0	0	0	7,510
Rent	2,995	0	0	0	0	0	15,125	18,120
Contributions and Donations	0	0	0	0	0	0	2,690	2,690
Miscellaneous	73,379	8,778	4,958	100	0	0	6,002	93,217
Total Revenues	2,064,733	530,536	434,958	1,066,118	345,447	0	496,900	4,938,692
Expenditures								
Current:								
General Government	956,728	0	0	0	180,908	0	0	1,137,636
Security of Persons and Property:								
Police	1,335,100	0	0	0	38,304	0	4,511	1,377,915
Fire	0	554,992	0	0	9,900	0	0	564,892
Transportation	0	0	557,907	0	150,000	0	199,622	907,529
Public Health Services	0	0	0	0	45,000	0	240,180	285,180
Leisure Time Services	0	0	0	44,541	0	0	0	44,541
Community Environment	0	0	0	0	0	0	187,993	187,993
Capital Outlay	0	0	0	1,051,522	0	0	0	1,051,522
Debt Service:								
Principal Retirement	0	12,023	0	0	60,127	0	0	72,150
Interest and Fiscal Charges	0	4,187	0	0	17,846	0	0	22,033
Total Expenditures	2,291,828	571,202	557,907	1,096,063	502,085	0	632,306	5,651,391
Excess of Revenues Under Expenditures	(227,095)	(40,666)	(122,949)	(29,945)	(156,638)	0	(135,406)	(712,699)
Other Financing Source								
Proceeds from Sale of Capital Assets	0	0	12,000	0	0	0	0	12,000
Net Change in Fund Balance	(227,095)	(40,666)	(110,949)	(29,945)	(156,638)	0	(135,406)	(700,699)
Fund Balances Beginning of Year - Restated (See Note 3)	1,637,201	149,327	306,194	46,959	261,129	2,433,835	938,676	5,773,321
Fund Balances End of Year	$1,410,106	$108,661	$195,245	$17,014	$104,491	$2,433,835	$803,270	$5,072,622

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, 2022

Net Change in Fund Balances - Total Governmental Funds		($700,699)
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 expense. This is the amount by which depreciation exceeded capital asset additions in the current period:		
Capital Asset Additions	1,537,337	
Depreciation	(352,837)	1,184,500
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Delinquent Property Taxes	16,299	
Income Tax	(8,332)	
Intergovernmental Revenues	13,150	21,117
Repayments of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		72,150
In the statement of activities, interest is accrued on outstanding debt, whereas is governmental funds, interest is expended when due.		1,586
Compensated absences reported in the statement of acitivities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		38,561
Contractually required contributions are reported as expenditures in governmental funds however, the Statement of Net Position reports these amounts as deferred outflows		
Pension	242,982	
OPEB	3,888	246,870
Except for amounts reports 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	(80,662)	
OPEB	74,664	(5,998)
Change in Net Position of Governmental Activities		$858,087

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, 2022

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	$200,200	$200,200	$198,718	($1,482)
Income Taxes	1,350,000	1,350,000	1,280,783	(69,217)
Intergovernmental	183,852	186,210	180,815	(5,395)
Charges for Services	300	50,560	50,435	(125)
Fines, Forfeitures and Settlements	46,100	46,100	48,329	2,229
Licenses and Permits	48,350	48,350	76,806	28,456
Interest	59,280	59,280	35,337	(23,943)
Lease	7,510	7,510	7,510	0
Rent	66,390	2,790	5,456	2,666
Miscellaneous	1,500	14,840	74,579	59,739
Total Revenues	1,963,482	1,965,840	1,958,768	(7,072)
Expenditures				
Current:				
General Government	1,124,986	1,474,081	1,025,808	448,273
Security of Persons and Property:				
Police	1,291,252	1,342,908	1,302,083	40,825
Total Expenditures	2,416,238	2,816,989	2,327,891	489,098
Net Change in Fund Balance	(452,756)	(851,149)	(369,123)	482,026
Fund Balance Beginning of Year	1,417,321	1,417,321	1,417,321	0
Prior Year Encumbrances Appropriated	43,034	43,034	43,034	0
Fund Balance End of Year	$1,007,599	$609,206	$1,091,232	$482,026

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, 2022

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Property Taxes	$264,200	$264,200	$276,152	$11,952
Intergovernmental	41,500	41,500	56,070	14,570
Charges for Services	199,219	199,219	192,886	(6,333)
Miscellaneous	0	0	8,778	8,778
Total Revenues	504,919	504,919	533,886	28,967
Expenditures				
Current:				
Security of Persons and Property:				
Fire	488,471	584,689	561,534	23,155
Debt Service:				
Principal Retirement	12,023	12,023	12,023	0
Interest and Fiscal Charges	4,187	4,187	4,187	0
Total Expenditures	504,681	600,899	577,744	23,155
Net Change in Fund Balance	238	(95,980)	(43,858)	52,122
Fund Balance Beginning of Year	134,828	134,828	134,828	0
Prior Year Encumbrances Appropriated	26,218	26,218	26,218	0
Fund Balance End of Year	$161,284	$65,066	$117,188	$52,122

See accompanying notes to the basic financial statements

City of Wellston, Ohio

Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Street Fund
For the Year Ended December 31, 2022

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Permissive Motor Vehicle License Taxes	$80,000	$80,000	$82,292	$2,292
Intergovernmental	328,600	328,600	338,784	10,184
Miscellaneous	200,000	188,000	4,958	(183,042)
Total Revenues	608,600	596,600	426,034	(170,566)
Expenditures				
Current:				
Transportation	631,010	665,592	608,461	57,131
Excess of Revenues Under Expenditures	(22,410)	(68,992)	(182,427)	(113,435)
Other Financing Source				
Proceeds from Sale of Capital Assets	0	12,000	12,000	0
Net Change in Fund Balance	(22,410)	(56,992)	(170,427)	(113,435)
Fund Balance Beginning of Year	213,267	213,267	213,267	0
Prior Year Encumbrances Appropriated	18,582	18,582	18,582	0
Fund Balance End of Year	$209,439	$174,857	$61,422	($113,435)

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)
Recreation Fund
For the Year Ended December 31, 2022

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Intergovernmental	$0	$1,056,155	$1,056,155	$0
Charges for Services	0	0	14,496	14,496
Miscellaneous	40,000	40,000	100	(39,900)
Total Revenues	40,000	1,096,155	1,070,751	(25,404)
Expenditures				
Current:				
Leisure Time Services	40,000	44,633	44,633	0
Capitall Outlay	0	1,051,522	1,051,522	0
Excess of Revenues Under Expenditures	0	0	(25,404)	(25,404)
Fund Balance Beginning of Year	42,425	42,425	42,425	0
Fund Balance End of Year	$42,425	$42,425	$17,021	($25,404)

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)
County Sales Tax Fund
For the Year Ended December 31, 2022

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues				
Intergovernmental	$290,000	$290,000	$318,412	28,412
Expenditures				
Current:				
General Government	133,100	237,153	196,445	40,708
Security of Persons and Property:				
Police	35,000	40,463	38,451	2,012
Fire	10,027	10,027	9,900	127
Transportation	150,000	150,000	150,000	0
Public Health Services	45,000	45,000	45,000	0
Debt Service:				
Principal Retirement	60,127	60,127	60,127	0
Interest and Fiscal Charges	17,846	17,846	17,846	0
Total Expenditures	451,100	560,616	517,769	42,847
Net Change in Fund Balance	(161,100)	(270,616)	(199,357)	71,259
Fund Balance Beginning of Year	232,010	232,010	232,010	0
Prior Year Encumbrances Appropriated	9,516	9,516	9,516	0
Fund Balance End of Year	$80,426	($29,090)	$42,169	$71,259

See accompanying notes to the basic financial statements

City of Wellston, Ohio
Statement of Fund Net Position
Enterprise Funds
December 31, 2022

	Water	Sewer	Garbage	Total Enterprise Funds
Assets				
Current:				
Equity in Pooled Cash and Cash Equivalents	$1,782,946	$2,441,892	$288,141	$4,512,979
Accounts Receivable	329,156	266,025	71,053	666,234
Prepaid Items	162	111	43	316
Materials and Supplies Inventory	37,453	18,200	0	55,653
Total Current Assets	2,149,717	2,726,228	359,237	5,235,182
Noncurrent:				
Restricted Assets:				
Customer Deposits	307,519	0	0	307,519
Net OPEB Asset	121,213	76,191	17,316	214,720
Non-Depreciable Capital Assets	217,280	308,399	0	525,679
Depreciable Capital Assets, net	6,279,614	5,000,123	581,216	11,860,953
Total Noncurrent Assets	6,925,626	5,384,713	598,532	12,908,871
Total Assets	9,075,343	8,110,941	957,769	18,144,053
Deferred Outflows of Resources				
Pension	200,653	144,500	52,797	397,950
OPEB	4,998	8,710	3,872	17,580
Asset Retirement Obligation	0	78,130	0	78,130
Total Deferred Outflows of Resources	205,651	231,340	56,669	493,660
Liabilities				
Current Liabilities:				
Accounts Payable	50,939	77,421	12,847	141,207
Accrued Wages and Benefits	12,918	8,541	1,053	22,512
Contracts Payable	67,453	0	0	67,453
Intergovernmental Payable	17,808	15,817	3,788	37,413
Accrued Interest Payable	9,702	10,331	557	20,590
OPWC Loans Payable	3,763	0	0	3,763
OWDA Loans Payable	34,634	0	0	34,634
Loans Payable	34,272	97,077	41,987	173,336
Compensated Absences Payable	24,588	23,731	3,164	51,483
Lease Payable	0	0	26,013	26,013
Customer Deposits Payable for Restricted Assets	307,519	0	0	307,519
Total Current Liabilities	563,596	232,918	89,409	885,923
Current Liabilities Payable from Restricted Assets:				
Long-Term Liabilities:				
OPWC Loans Payable	26,341	0	0	26,341
OWDA Loans Payable	1,532,065	0	0	1,532,065
Loans Payable	193,742	1,336,244	226,383	1,756,369
Compensated Absences Payable	18,543	24,870	2,221	45,634
Lease Payable	0	0	46,473	46,473
Asset Retirement Obligation	0	166,000	0	166,000
Net Pension Liability	352,323	221,460	50,332	624,115
Total Long-Term Liabilities	2,123,014	1,748,574	325,409	4,196,997
Total Liabilities	2,686,610	1,981,492	414,818	5,082,920
Deferred Inflows of Resources				
Pension	426,825	268,343	80,500	775,668
OPEB	127,719	78,720	32,000	238,439
Total Deferred Inflows of Resources	554,544	347,063	112,500	1,014,107
Net Position				
Net Investment in Capital Assets	4,739,530	3,875,201	312,846	8,927,577
Restricted for Pension and OPEB Plans	9,554	11,945	1,645	23,144
Unrestricted (eficit)	1,290,756	2,126,580	172,629	3,589,965
Total Net Position	$6,039,840	$6,013,726	$487,120	$12,540,686

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, 2022

	Water	Sewer	Garbage	Total Enterprise Funds
Operating Revenues				
Charges for Services	$1,928,271	$1,477,268	$425,971	$3,831,510
Operating Expenses				
Salaries and Wages	651,494	432,467	105,970	1,189,931
Fringe Benefits	57,496	108,741	0	166,237
Contractual Services	1,242,285	396,911	109,270	1,748,466
Materials and Supplies	430,633	151,919	32,204	614,756
Depreciation	241,162	174,647	61,748	477,557
Total Operating Expenses	2,623,070	1,264,685	309,192	4,196,947
Operating Income (Loss)	(694,799)	212,583	116,779	(365,437)
Non-Operating Revenues (Expenses)				
Intergovernmental	700,546	56,563	0	757,109
Interest and Fiscal Charges	(28,944)	(44,863)	(557)	(74,364)
Other Non-Operating Revenues	10,958	0	2,091	13,049
Total Non-Operating Revenues (Expenses)	682,560	11,700	1,534	695,794
Change in Net Position	(12,239)	224,283	118,313	330,357
Net Position Beginning of Year	6,052,079	5,789,443	368,807	12,210,329
Net Position End of Year	$6,039,840	$6,013,726	$487,120	$12,540,686

See accompanying notes to the basic financial statements

City of Wellston, Ohio
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2022

	Water	Sewer	Garbage	Total Enterprise Funds
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash Received from Customers	$1,941,928	$1,548,020	$435,176	$3,925,124
Cash Payments for Employee Services and Benefits	(913,801)	(616,227)	(176,825)	(1,706,853)
Cash Payments for Goods and Services	(1,676,108)	(576,575)	(137,338)	(2,390,021)
Utility Deposits Received	43,244	0	0	43,244
Utility Deposits Returned	(31,729)	0	0	(31,729)
Other Operating Revenues	10,958	0	2,091	13,049
Net Cash Provided by (Used for) Operating Activities	(625,508)	355,218	123,104	(147,186)
Cash Flows from Capital and Related Financing Activities				
Intergovernmental	700,546	56,563	0	757,109
Proceeds from Loans	0	0	268,370	268,370
Proceeds from OWDA Loans	361,999	0	0	361,999
Payments for Capital Acquisitions	(215,077)	(25,533)	(368,370)	(608,980)
Principal Paid on OPWC Loans	(3,763)	0	0	(3,763)
Principal Paid on OWDA Loans	(54,080)	0	0	(54,080)
Principal Paid on Other Loans	(32,914)	(94,218)	0	(127,132)
Principal Paid on Leases	0	0	(25,626)	(25,626)
Interest Paid on OWDA Loans	(18,767)	0	0	(18,767)
Interest Paid on Other Loans	(10,766)	(45,540)	0	(56,306)
Net Cash Provided by (Used for) Capital and Related Financing Activities	727,178	(108,728)	(125,626)	492,824
Net Increase (Decrease) in Cash and Cash Equivalents	101,670	246,490	(2,522)	345,638
Cash and Cash Equivalents Beginning of Year	1,988,795	2,195,402	290,663	4,474,860
Cash and Cash Equivalents End of Year	$2,090,465	$2,441,892	$288,141	$4,820,498
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating Income (Loss)	($694,799)	$212,583	$116,779	($365,437)
Adjustments:				
Other Non-Operating Revenues	10,958	0	2,091	13,049
Depreciation	241,162	85,048	61,748	387,958
(Increase) Decrease in Assets:				
Accounts Receivable	13,657	70,752	9,205	93,614
Prepaid Items	12,265	10,405	3,927	26,597
Materials and Supplies Inventory	12,682	(6,700)	0	5,982
Net Pension Asset	(20,242)	(12,723)	(2,892)	(35,857)
Net OPEB Liability/Assets	1,758	1,105	249	3,112
Deferred Outflows - Pension	130,965	105,338	31,628	267,931
Deferred Outflows - OPEB	48,580	38,476	9,198	96,254
Deferred Outflows - Asset Retirement Obligations	0	2,954	0	2,954
Increase (Decrease) in Liabilities:				
Accounts Payable	(7,306)	60,938	4,136	57,768
Accrued Wages Payable	3,093	2,722	(948)	4,867
Contracts Payable	(2,350)	0	0	(2,350)
Intergovernmental Payable	2,577	9,464	2,455	14,496
Customer Deposits Payable	11,515	0	0	11,515
Compensated Absences Payable	4,987	18,024	1,391	24,402
Deferred Inflows - Pension	(237,775)	(147,939)	(72,042)	(457,756)
Deferred Inflows - OPEB	(157,235)	(95,229)	(43,821)	(296,285)
Net Cash Provided by (Used for) Operating Activities	($625,508)	$355,218	$123,104	($147,186)

Noncash Transactions:

Non-Cash Transactions:
At December 31, 2021, the City had contracts payable related to the purchase of capital assets of $3,887 in the Water Enterprise Fund.
At December 31, 2022, the City had contracts payable related to the purchase of capital assets of $67,453 in the Water Enterprise Fund.

See accompanying notes to the basic financial statements.

City of Wellston, Ohio
Statement of Fiduciary Net Position
Custodial Funds
December 31, 2022

Assets	
Equity in Pooled Cash and Cash Equivalents	$24,196
Net Position	
Restricted for Individuals, Organizations and Other Governments	$24,196

See accompanying notes to the basic financial statements

City of Wellston, Ohio
Statement of Changes in Fiduciary Net Position
Custodial Funds
December 31, 2022

	Custodial Funds
Additions	
Amounts Received from Others	$7,200
Deductions	
Distributions to Individuals	7,200
Change in Fiduciary Net Position	0
Net Position at Beginning of Year	24,196
Net Position at End of Year	$24,196

See accompanying notes to the basic financial statements

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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 19.

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.

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.

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

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

Recreation Fund – The recreation fund is used to account for a grant to improve park grounds and user fees for recreational activities.

County Sales Tax – The County Sales Tax Special Revenue Fund is used to account for sales tax received from the Jackson County Auditor.

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

Proprietary Funds

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

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

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. There are four categories of fiduciary funds; pension trust funds, investment trust funds, private-purpose trust funds, and 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.

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: interest, federal and state grant subsidies, state-levied local shared taxes (including motor vehicle license fees and gasoline taxes), income taxes, fees, and rentals.

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, 2022, but which were levied to finance 2023 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, 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 Balance to Net Position of Governmental Activities found on page 17. 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.

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 2022, 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 interest revenue credited to the General Fund during 2022 amounted to $45,119, which includes $39,700 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.

Restricted assets in the enterprise funds represent water customer deposits and amounts held in trust by the pension and OPEB plans for future benefits.

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.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2022, 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 Estimated Lives	Business-Type Activities Estimated Lives
Improvements other than Buildings	20 years	10 years
Buildings and Improvements	20-40 years	20-40 years
Equipment	15 years	15 years
Infrastructure	15 years	70 years
Vehicles	5-25 years	5-25 years
Intagible Right to Use Equipment	5 years	5 years

The City is reporting intangible right to use assets related to leased equipment. 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, these intangible 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 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 13.68 years of service.

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not recorded. For enterprise funds, the entire amount of compensated absences is reported as a fund liability.

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 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.

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 2023'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 assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the constitutional provisions or through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available. Amounts restricted for Pension and OPEB Plans represent the corresponding restricted asset amounts after considering the related deferred outflows and deferred inflows.

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.

V. OneOhio Opiod Settlement Monies

During 2021, Ohio reached an agreement with the three largest distributors of opioids. Although the settlement has been reached, uncertainties remain related to measurement. As a participating subdivision, the City received the first of eighteen distributions in 2022. This distribution of $3,510 is reflected as fines, forfeitures and settlements revenue in the OneOhio Special Revenue Fund in the accompanying financial statements.

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

For fiscal year 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* and related guidance from (GASB) Implementation Guide No. 2019-3, *Leases*. The City also implemented GASB Statement No. 91, *Conduit Debt Obligations*; GASB Statement No. 92, *Omnibus 2020;* GASB Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans;* and *Implementation Guide No. 2020-1*

GASB Statement 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the City's 2022 financial statements. The City recognized $230,230 in leases receivable at January 1, 2022; however, this amount was offset by the deferred inflows related to leases in the amount of $232,872. The difference of $2,642 will result in an unrestricted fund balance restatement. The City also recognized $98,112 in leases payable at January 1, 2022, which was offset by the intangible asset, right to use lease – equipment.

The City implemented GASB Statement 87, this resulted in the following restatements to fund balance/net position at December 31, 2021:

	Governmental Funds							
	General	Fire Levy	Street	Recreation	County Sales Tax	Permanent Improvement	Other Governmental Funds	Total
Fund Balances, December 31, 2021	$1,639,843	$149,327	$306,194	46,959	$261,129	$2,433,835	$938,676	$5,775,963
Adjustments:								
Leases Receivable	230,230	0	0	0	0	0	0	230,230
Deferred Inflows - Leases	(232,872)	0	0	0	0	0	0	(232,872)
Restated Fund Balances, December 31, 2021	$1,637,201	$149,327	$306,194	$46,959	$261,129	$2,433,835	$938,676	$5,773,321

	Governmental Activities
Net Position December 31, 2021	$7,576,420
Adjustments:	
Leases Receivable	230,230
Deferred Inflows - Leases	(232,872)
Restated Net Position December 31, 2021	$7,573,778

GASB 91 clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

GASB 97, among other items, requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan.

The changes for GASB 91 and GASB 97 were incorporated in the City's 2022 financial statements; however, there was no effect on beginning net position/fund balance.

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 funds 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:

Net Change in Fund Balances

	General	Fire Levy	Street	Recreation	County Sales Tax
GAAP Basis	($227,095)	($40,666)	($110,949)	($29,945)	($156,638)
Net Adjustment for Revenue Accruals	(108,862)	2,900	(8,924)	4,633	(27,035)
Net Adjustment for Expenditure Accruals	31,220	4,326	(32,816)	(92)	5,735
Beginning of Year:					
Unreported Cash	4,945	450	0	0	0
Prepaid Items	23,169	4,303	5,074	0	16
End of Year:					
Unreported Cash	(2,048)	0	0	0	0
Prepaid Items	(617)	(73)	(60)	0	(16)
Encumbrances	(89,835)	(15,098)	(22,752)	0	(21,419)
Budget Basis	($369,123)	($43,858)	($170,427)	($25,404)	($199,357)

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 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 $5,014 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

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 2022 for real and public utility property taxes represents collections of 2021 taxes.

2022 real property taxes are levied after October 1, 2022, on the assessed value as of January 1, 2022, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2022 real property taxes are collected in and intended to finance 2023.

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

The full tax rate for all City operations for the year ended December 31, 2022, was $10.80 per $1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2022 property tax receipts were based are as follows:

Real Property	$60,818,750
Public Utility Real Property	46,980
Public Utility Personal Property	7,205,140
Total	$68,070,870

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, 2022, 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 is assessed value as a result of the improvement. The amount of the abatement is deducted from the recipient's tax bill.

The City of Wellston has entered into one enterprise zone agreements 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, 2022.

Tax Abatement Program	Amount of 2022 Taxes Abated
Enterprise Zone Tax Exemptions	
General Mills Warehouse Space	$20,787

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 2022, 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, 2022, consisted of property and income taxes; Permissive MVL; accrued interest; loans; intergovernmental receivables arising from grants, entitlements, and shared revenues; leases, and accounts. All receivables are considered fully collectible. Delinquent utility accounts receivable (billings for user charged services) are certified and collected as special assessments, subject to foreclosure for nonpayment. The financial statements reflect loans receivable of $96,541 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 $214,063.

A summary of intergovernmental receivables follows:

Governmental Activities:	
Gasoline Tax	$115,066
Sales Tax	161,930
Local Government Subsidies	88,922
Motor Vehicle License Tax	57,832
Permissive MVL Tax	33,996
Homestead and Rollback	31,691
Miscellaneous	1,198
Total Governmental Activities	$490,635

Leases Receivable

The City is reporting leases receivable of $225,157 in the General Fund at December 31, 2022. These amounts represent the discounted future lease payments. This discount is being amortized using the interest method. For 2022, the City recognized lease revenue of $7,510 and interest revenue of $4,898 in the General Fund related to lease payments received. 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 Commencement Date	Years	Lease Ending Date	Payment 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
2023	$10,372	$5,724
2024	11,052	5,544
2025	11,335	5,261
2026	11,627	4,969
2027	12,811	4,660
2028-2032	76,789	17,516
2033-2037	90,566	5,728
2038	605	0
	$225,157	$49,402

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022, was as follows:

	Balance 12/31/2021	Additions	Reductions	Balance 12/31/2022
Governmental Activities:				
Non-Depreciable Capital Assets:				
Land	$498,840	$1,051,522	$0	$1,550,362
Depreciable Capital Assets:				
Improvements Other than Buildings	380,277	0	0	380,277
Buildings and Improvements	1,958,605	0	0	1,958,605
Equipment	862,160	232,832	(64,489)	1,030,503
Infrastructure	2,217,104	199,943	0	2,417,047
Vehicles	2,113,405	53,040	0	2,166,445
Total Depreciable Capital Assets	7,531,551	485,815	(64,489)	7,952,877
Accumulated Depreciation:				
Improvements Other than Buildings	(270,139)	(26,237)	0	(296,376)
Buildings and Improvements	(634,416)	(51,117)	0	(685,533)
Equipment	(361,942)	(55,597)	64,489	(353,050)
Infrastructure	(1,014,948)	(92,272)	0	(1,107,220)
Vehicles	(1,358,964)	(127,614)	0	(1,486,578)
Total Accumulated Depreciation	(3,640,409)	(352,837) *	64,489	(3,928,757)
Total Depreciable Capital Assets, Net	3,891,142	132,978	(128,978)	4,024,120
Governmental Activities Capital Assets, Net	$4,389,982	$1,184,500	($128,978)	$5,574,482

*Depreciation expense was charged to governmental activities as follows:

Governmental Activities:	
General Government	$12,387
Security of Persons and Property- Police	31,057
Security of Persons and Property- Fire	103,853
Transportation	129,948
Leisure Time Activities	38,634
Public Health Services	794
Community Environment	36,164
Total Depreciation Expense	$352,837

	Restated Balance 12/31/2021	Additions	Reductions	Balance 12/31/2022
Business - Type Activities:				
Non-Depreciable Capital Assets:				
Land	$263,500	$0	$0	$263,500
Construction in Progress	169,362	142,826	50,009	262,179
Total Non-Depreciable Capital Assets	432,862	142,826	50,009	525,679
Depreciable Capital Assets:				
Improvements Other than Buildings	63,848	0	0	63,848
Buildings and Improvements	5,778,656	0	0	5,778,656
Equipment	1,836,579	151,964	0	1,988,543
Infrastructure	13,023,715	50,009	0	13,073,724
Vehicles	1,270,970	443,004	0	1,713,974
Intangible Right to Use Equipment	98,112	0	0	98,112
Total Depreciable Capital Assets	22,071,880	644,977	0	22,716,857
Accumulated Depreciation:				
Improvements Other than Buildings	(63,277)	(571)	0	(63,848)
Buildings and Improvements	(3,450,767)	(124,852)	0	(3,575,619)
Equipment	(1,397,543)	(53,862)	0	(1,451,405)
Infrastructure	(4,777,552)	(180,188)	0	(4,957,740)
Vehicles	(689,208)	(92,458)	0	(781,666)
Intangible Right to Use Equipment	0	(25,626)	0	(25,626)
Total Accumulated Depreciation	(10,378,347)	(477,557)	0	(10,855,904)
Total Depreciable Capital Assets, Net	11,693,533	167,420	0	11,860,953
Business - Type Activities Capital Assets, Net	$12,126,395	$310,246	$50,009	$12,386,632

NOTE 11 - DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability (Asset) /Net OPEB Liability (Asset)

The net pension liability (asset) and the net OPEB liability (asset) 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 (asset) 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 (asset) 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 (asset). Resulting adjustments to the net pension/OPEB liability (asset) 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/OPEB 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.

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. 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):

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

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.

Effective January 1, 2022, the Combined Plan is no longer available for member selection.

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

	State and Local
2022 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2022 Actual Contribution Rates	
Employer:	
Pension ****	14.0 %
Post-employment Health Care Benefits ****	0.0
Total Employer	14.0 %
Employee	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.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

For 2022, the City's contractually required contribution was $262,487 for the traditional plan and $6,723 for the combined plan. Of these amounts, $23,092 is reported as an intergovernmental payable for the traditional 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 or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

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

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, surviving beneficiaries under optional plans, and statutory survivors. 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
2022 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2022 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was $140,681 for 2022. Of this amount, $15,552 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 (asset) for OPERS was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2021, and was determined by rolling forward the total pension liability as of January 1, 2021, to December 31, 2021. The City's proportion of the net pension liability (asset) 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:

	Traditional Plan	Combined Plan	OP&F	Total
Proportion of the Net Pension Liability/Asset:				
Current Measurement Date	0.011570%	0.000000%	0.0228256%	
Prior Measurement Date	0.011433%	0.007590%	0.0227917%	
Change in Proportionate Share	0.000137%	-0.007590%	0.0000339%	
Proportionate Share of the:				
Net Pension Liability	$1,006,637	$0	$1,426,011	$2,432,648
Pension Expense	(101,078)	9,324	113,643	21,889

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Deferred Outflows of Resources				
Differences between expected and actual experience	$51,317	$0	$41,118	$92,435
Changes of assumptions	125,879	0	260,614	386,493
Changes in proportion and differences between City contributions and proportionate share of contributions	41,245	21,368	155,080	217,693
City contributions subsequent to the measurement date	262,487	6,723	140,681	409,891
Total Deferred Outflows of Resources	$480,928	$28,091	$597,493	$1,106,512
Deferred Inflows of Resources				
Differences between expected and actual experience	$22,078	$0	$74,133	$96,211
Net difference between projected and actual earnings on pension plan investments	1,197,358	0	373,878	1,571,236
Changes in proportion and differences between City contributions and proportionate share of contributions	0	357	32,920	33,277
Total Deferred Inflows of Resources	$1,219,436	$357	$480,931	$1,700,724

$409,891 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2023. 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 Traditional Plan	OPERS Combined Plan	OP&F	Total
Year Ending December 31:				
2023	($121,982)	$3,026	$21,716	($97,240)
2024	(406,993)	3,028	(67,336)	(471,301)
2025	(281,546)	3,025	597	(277,924)
2026	(190,474)	3,028	(7,747)	(195,193)
2027	0	2,976	28,651	31,627
Thereafter	0	5,928	0	5,928
Total	($1,000,995)	$21,011	($24,119)	($1,004,103)

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, 2021, using the following key actuarial assumptions and methods applied to all periods included in the measurement in accordance with the requirements of GASB 67. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 7.2 percent down to 6.9 percent, for the defined benefit investments. Key actuarial assumptions and methods used in the latest actuarial valuation, prepared as of December 31, 2021, reflecting experience study results, are presented below:

	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	2.75 percent	2.75 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation	2.75 to 8.25 percent 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 2022, then 2.05 percent, simple	3.0 percent, simple through 2022, then 2.05 percent, simple
Investment Rate of Return	6.9 percent	6.9 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Key actuarial assumptions and methods used in the prior actuarial valuation, prepared as of December 31, 2020, are presented below:

	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 percent 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	0.5 percent, simple through 2021, then 2.15 percent, simple	0.5 percent, simple through 2021, then 2.15 percent, simple
Investment Rate of Return	7.2 percent	7.2 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

For 2021, 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 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.

For 2020, pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all the above-described tables.

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

During 2021, 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 15.3 percent for 2021.

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 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, 2021, these best estimates are summarized below:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	24.00%	1.03%
Domestic Equities	21.00	3.78
Real Estate	11.00	3.66
Private Equity	12.00	7.43
International Equities	23.00	4.88
Risk Parity	5.00	2.92
Other investments	4.00	2.85
Total	100.00%	4.21%

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 discount rate for the prior year was 7.2 percent.

The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments 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 (Asset) to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability (asset) 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 (asset) 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:

	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
City's proportionate share of the net pension liability (asset)			
OPERS Traditional Plan	$2,654,042	$1,006,637	($364,224)

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2021, is based on the results of an actuarial valuation date of January 1, 2021, 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 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, 2021, are presented below.

Valuation Date	January 1, 2021, with actuarial liabilities rolled forward to December 31, 2021
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

In February 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for the 2020 measurement period to 7.5 percent for the 2021 measurement period.

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

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, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2021, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equity	21.00	3.60
Non-US Equity	14.00	4.40
Private Markets	8.00	6.80
Core Fixed Income *	23.00	1.10
High Yield Fixed Income	7.00	3.00
Private Credit	5.00	4.50
U.S. Inflation Linked Bonds*	17.00	0.80
Midstream Energy Infrastructure	5.00	5.00
Real Assets	8.00	5.90
Gold	5.00	2.40
Private Real Estate	12.00	4.80
Total	125.00 %	

Note: Assumptions are geometric.
* levered 2x

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 2021, 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. 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 (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	$2,114,755	$1,426,011	$852,458

NOTE 12 - Defined Benefit OPEB Plans

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

Plan Description – 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, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement (HRA) to qualifying benefit recipients of both the traditional pension and the combined plans. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS. For those retiring on or after January 1, 2015, the allowance has been determined by applying a percentage to the base allowance. The percentage applied is based on years of qualifying service credit and age when the retiree first enrolled in OPERS health care. Monthly allowances range between 51 percent and 90 percent of the base allowance. Those who retired prior to January 1, 2015, will have an allowance of at least 75 percent of the base allowance.

The heath 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.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60. Members in Group A are eligible for coverage at any age with 30 or more years of qualifying service. Members in Group B are eligible at any age with 32 years of qualifying service, or at age 52 with 31 years of qualifying service. Members in Group C are eligible for coverage with 32 years of qualifying service and a minimum age of 55. Current retirees eligible (or who became eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. The health care coverage provided by OPERS meets. the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Annual Comprehensive Financial Report referenced below for additional information.

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority 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 and the combined plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2022, 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 2022, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and 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.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $1,921 for 2022.

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 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 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 2022, 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 $3,158 for 2022. Of this amount, $395 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 (asset) and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021, 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, 2021, and was determined by rolling forward the total OPEB liability as of January 1, 2021, to December 31, 2021. The City's proportion of the net OPEB liability (asset) was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS	OP&F	
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.011057%	0.0228256%	
Prior Measurement Date	0.010948%	0.0227917%	
Change in Proportionate Share	0.000109%	0.0000339%	Total
Proportionate Share of the:			
Net OPEB Liability	$0	$250,188	$250,188
Net OPEB Asset	($346,322)	$0	($346,322)
OPEB Expense	($284,780)	$14,388	($270,392)

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$0	$11,381	$11,381
Changes of assumptions	0	110,741	110,741
Changes in proportion and differences between City contributions and proportionate share of contributions	5,076	20,276	25,352
City contributions subsequent to the measurement date	1,921	3,158	5,079
Total Deferred Outflows of Resources	$6,997	$145,556	$152,553
Deferred Inflows of Resources			
Differences between expected and actual experience	$52,532	$33,066	$85,598
Changes of assumptions	140,187	29,058	169,245
Net difference between projected and actual earnings on OPEB plan investments	165,102	22,600	187,702
Changes in proportion and differences between City contributions and proportionate share of contributions	0	26,465	26,465
Total Deferred Inflows of Resources	$357,821	$111,189	$469,010

$5,079 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 or an increase in the net OPEB asset in 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2023	($216,849)	$4,408	($212,441)
2024	(76,110)	1,053	(75,057)
2025	(36,074)	3,526	(32,548)
2026	(23,712)	5,219	(18,493)
2027	0	8,673	8,673
Thereafter	0	8,330	8,330
Total	($352,745)	$31,209	($321,536)

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. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing historical assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions. The actuarial valuation used for 2021 compared to those used for 2020 are as follows:

	December 31, 2021	December 31, 2020
Wage Inflation	2.75 percent	3.25 percent
Projected Salary Increases,	2.75 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate	6.00 percent	6.00 percent
Investment Rate of Return	6.00 percent	6.00 percent
Municipal Bond Rate	1.84 percent	2.00 percent
Health Care Cost Trend Rate	5.5 percent, initial 3.50 percent, ultimate in 2034	8.5 percent, initial 3.50 percent, ultimate in 2035
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

For 2021, 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.

For 2020, pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above-described tables.

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

During 2021, 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 contributions 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 14.3 percent for 2021.

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, 2021, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	34.00%	0.91%
Domestic Equities	25.00	3.78
Real Estate Investment Trust	7.00	3.71
International Equities	25.00	4.88
Risk Parity	2.00	2.92
Other investments	7.00	1.93
Total	100.00%	3.45%

Discount Rate A single discount rate of 6.0 percent was used to measure the OPEB liability on the measurement date of December 31, 2021. 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 1.84 percent (Fidelity Index's "20-Year Municipal GO AA Index"). The projection of cash flows used to determine 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 2121. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which projected health care payments are fully funded.

Sensitivity of the City's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB asset calculated using the single discount rate of 6.00 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 (5.00 percent) or one-percentage-point higher (7.00 percent) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
City's proportionate share of the net OPEB asset	($203,670)	($346,322)	($464,726)

Sensitivity of the City's Proportionate Share of the Net OPEB Asset 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. The following table presents the net OPEB asset calculated using the assumed trend rates, and the expected net OPEB 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 2022 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 Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB asset	($350,065)	($345,322)	($341,882)

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2021, is based on the results of an actuarial valuation date of January 1, 2021, 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.

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, 2021, with actuarial liabilities rolled forward to December 31, 2021
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	2.84 percent
Prior measurement date	2.96 percent
Cost of Living Adjustments	2.2 percent simple per year

In February 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for the 2020 measurement period to 7.5 percent for the 2021 measurement period.

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

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, 2016.

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 2021, the total OPEB liability was calculated using the discount rate of 2.84 percent. For 2020, the total OPEB liability was calculated using the discount rate of 2.96 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, a municipal bond rate of 2.05 percent at December 31, 2021, and 2.12 percent at December 31, 2020, was blended with the long-term rate of 7.5 percent for 2021 and 8 percent for 2020, which resulted in a blended discount rate of 2.84 percent for 2021 and 2.96 percent for 2020. The municipal bond rate was determined using the Bond Buyers General

Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2037. The long-term expected rate of return on health care investments was applied to projected costs through 2037, 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
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 2.84 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 (1.84 percent), or one percentage point higher (3.84 percent) than the current rate.

	1% Decrease (1.84%)	Current Discount Rate (2.84%)	1% Increase (3.84%)
City's proportionate share of the net OPEB liability	$314,492	$250,188	$197,330

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, 4.2 hours per eighty hours of service for fire employees, and 3.84 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 100 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 commercial carriers.
The types of coverage that the City has with commercial carriers are:

Type of Coverage	Limit	Aggregate Limit
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	$28,013,336	

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 2022, 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 2022 consist of the following:

Governmental Activities:	Outstanding 12/31/2021	Additions	Reductions	Outstanding 12/31/2022	Amounts Due Within One Year
Direct Borrowings					
Fire Department Renovation - 2016 - 3.38%	$73,515	$0	$3,823	$69,692	$3,955
Fire Trucks Loan- 2014 - 3%	43,658	0	18,690	24,968	19,251
Fire Rescue Pumper-2018 - 3.75%	434,916	0	41,437	393,479	43,013
USDA Loan Air Packs - 2020 - 2.25%	80,000	0	8,200	71,800	8,300
Total Loans from Direct Borrowings	632,089	0	72,150	559,939	74,519
Net Pension Liability:					
OPERS	744,910	0	362,388	382,522	0
OP&F	1,553,731	0	127,720	1,426,011	0
Total Net Pension Liability	2,298,641	0	490,108	1,808,533	0
Net OPEB Liability - OP&F	241,482	8,706	0	250,188	0
Compensated Absences Payable	134,140	0	38,561	95,579	40,949
Total Governmental Activities	$3,306,352	$8,706	$600,819	$2,714,239	$115,468

Business-Type Activities:	Restated Outstanding 12/31/2021	Additions	Reductions	Outstanding 12/31/2022	Amounts Due Within One Year
Direct Borrowing Loans					
OPWC Loans					
South Water Sludge Basin - 2009 - 0.00%	$33,867	$0	$3,763	$30,104	$3,763
OWDA Loans					
Water Fund - 2010 - 0.00%	50,400	0	2,725	47,675	2,724
North Water Treatment Plant - 2011 - 0%	268,376	0	13,091	255,285	13,092
Jenkins Water Tank Replacement - 2011 - 2%	333,888	0	13,322	320,566	13,590
Fresh Water Fund (Phase II) - 2013 - 2.79%	41,807	0	5,085	36,722	5,228
South Water Treatment Plant - 2017 - 1.63%	564,309	0	19,857	544,452	0
New York & Broadway Water - 2022 - 0%	0	881,556	519,557	361,999	0
Total OWDA Loans Payable	1,258,780	881,556	573,637	1,566,699	34,634
Other Loans					
Flex Net Loan - 2018 - 4.070%	326,165	0	41,143	285,022	42,840
Sewer Refinance Loan - 2020 - 2.89%	1,462,302	0	85,989	1,376,313	88,509
Garbage Truck Loan - 2022 - 2.49%	0	268,370	0	268,370	41,987
Total Other Loans Payable	1,788,467	268,370	127,132	1,929,705	173,336
Total Loans from Direct Borrowings	3,081,114	1,149,926	704,532	3,526,508	211,733
Net Pension Liability - OPERS	948,068	0	323,953	624,115	0
Lease Payable	98,112	0	25,626	72,486	26,013
Compensated Absences Payable	72,715	32,278	7,876	97,117	51,483
Asset Retirement Obligation	166,000	0	0	166,000	0
Total Business-Type Activities	$4,366,009	$1,182,204	$1,061,987	$4,486,226	$289,229

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, Water Fund, Sewer Fund, and Garbage Fund. For additional information related to the net pension/OPEB liabilities, see Notes 11 and 12.

As of December 31, 2022, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was $6,587,502, with an unvoted debt margin of $3,183,959.

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 indebtness 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 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 indebtness 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 indebtness 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 all governmental loans outstanding as of December 31, 2022, are as follows:

Year	Principal	Interest
2023	$74,519	$19,590
2024	62,913	17,111
2025	59,277	14,874
2026	114,422	12,781
2027	58,935	8,833
2028-2030	189,873	13,666
	$559,939	$86,855

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.

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, 2022, are:

Year	Principal
2023	$3,763
2024	3,763
2025	3,763
2026	3,763
2027	3,763
2028-2031	11,289
	$30,104

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. 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, 2022, are as follows:

Year	Principal	Interest
2023	$34,634	$7,332
2024	35,054	6,912
2025	35,484	6,482
2026	35,923	6,043
2027	36,373	5,593
2028-2032	166,289	21,796
2033-2037	165,395	13,355
2038-2042	151,096	4,327
Total	$660,248	$71,840

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, 2022, are as follows:

Year	Principal	Interest
2023	$42,840	$11,761
2024	44,580	1,021
2025	46,447	8,154
2026	48,364	6,237
2027	50,360	4,241
2028	52,431	2,169
	$285,022	$33,583

In 2020, the City borrowed $1,545,000 to refinance the City's outstanding General Obligation Bond of $441,000 and Revenue Bond 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, 2022, are as follows:

Year	Principal	Interest
2023	$88,509	$40,238
2024	91,102	37,734
2025	93,772	35,065
2026	96,519	32,317
2027-2031	526,711	117,470
2032-2035	479,700	35,648
	$1,376,313	$298,472

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 indebtness 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, 2022, are as follows:

Year	Principal	Interest
2023	$41,987	$6,775
2024	43,047	5,715
2025	44,134	4,628
2026	45,249	3,514
2027	46,391	2,372
2028	47,562	1,201
	$268,370	$24,205

The City has an outstanding agreement to lease trash cans. Due to the implementation of GASB Statement 87, this lease has met the criteria of leases thus requiring them to be recorded by the City. 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. A summary of the principal and interest amounts for the remaining leases is as follows:

Year	Principal	Interest
2023	$26,013	$909
2024	26,406	516
2025	20,067	126
	$72,486	$1,551

Pledged Revenues

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

The final loan payment will be in 2042. Net revenues include all revenues received by the water utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loans are expected to require 10 percent of net revenues. The total principal and interest remaining to be paid on the loans is $1,638,539. Principal and interest payments for the current year were $72,847, net revenues were $300,545 and total revenues were $2,682,453.

NOTE 16 - INTERFUND BALANCES

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.

	Deferred Outflows	Deferred Inflows
Governmental Activities	$19,017	$88,862
Business-Type Activities		
Water	32,574	2,481
Sewer	43,756	0
Garbage	29,607	33,611
Total Business-Type Activities	105,937	36,092
Total	$124,954	$124,954

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, 2022, to December 31, 2022, the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

NOTE 18 - 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	$89,835
Fire Levy Fund	15,098
Street Fund	22,752
County Sales Tax Fund	21,419
Non-Major Governmental Funds	104,456
Water Fund	172,414
Sewer Fund	165,732
Garbage Fund	18,798
	$610,504

B. Contractual Commitments

As of December 31, 2022, the City had contractual commitments as follows:

Project	Fund	Contract Amount	Amount Expended	Balance at 12/31/2022
New York and Broadway Sewer Line	Sewer	$91,949	$89,599	$2,350
Phase 1 Lift Station	Sewer	75,531	50,009	25,522
2020 Water System Improvements	Water	1,220,062	172,580	1,047,482
Total		$1,387,542	$312,188	$1,075,354

NOTE 19 - 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 operation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the council. For 2022, these costs are not yet available; however, they are not expected to be significantly different from 2021. For 2022, the City paid RITA $33,176 for income tax collection services.

NOTE 20 - ASSET RETIREMENT OBLIGATIONS

Ohio Revised Code Section 6111.44 requires the County/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 9 to 40 years.

NOTE 21 - COVID-19

The United States and the State of Ohio declared a state of emergency in March of 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 2022, the City received COVID-19 funding. The City will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

The City's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined.

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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 Nine Years (1)

	2022	2021	2020	2019
City's Proportion of the Net Pension Liability	0.011570%	0.011433%	0.010909%	0.010745%
City's Proportionate Share of the Net Pension Liability	$1,006,637	$1,692,978	$2,156,238	$2,942,838
City's Covered Payroll	$1,679,243	$1,610,257	$1,534,929	$1,451,207
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	59.95%	105.14%	140.48%	202.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.88%	86.88%	82.17%	74.70%

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

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

See accompanying notes to the required supplementary information

2018	2017	2016	2015	2014
0.010312%	0.010521%	0.009766%	0.009547%	0.009547%
$1,617,753	$2,389,141	$1,691,594	$1,151,471	$1,125,465
$1,362,769	$1,165,808	$1,041,908	$1,170,417	$857,338
118.71%	204.93%	162.36%	98.38%	131.27%
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 Five Years(1)

	2022	2021	2020	2019	2018
City's Proportion of the Net Pension Asset	0.000000%	0.007590%	0.013392%	0.012923%	0.013429%
City's Proportionate Share of the Net Pension Asset	$0	$21,909	$27,926	$14,451	$18,281
City's Covered Payroll	$44,971	$0	$59,614	$55,271	$55,000
City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	0.00%	0.00%	46.84%	26.15%	33.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	157.67%	145.28%	126.64%	137.28%	116.55%

(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

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 Six Years (1)

	2022	2021	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability (Asset)	0.011057%	0.010948%	0.010849%	0.010745%	0.010330%	0.010590%
City's Proportionate Share of the Net OPEB Liability (Asset)	($346,322)	($195,047)	$1,498,528	$1,400,894	$1,121,762	$1,069,626
City's Covered Payroll	$1,724,218	$1,655,832	$1,639,068	$1,561,103	$1,463,302	$1,269,608
City's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-20.09%	-11.78%	91.43%	89.74%	76.66%	84.25%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	128.23%	115.57%	47.80%	46.33%	54.14%	54.04%

(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

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 Nine Years (1)

	2022	2021	2020	2019
City's Proportion of the Net Pension Liability	0.0228256%	0.0227917%	0.0193532%	0.0199500%
City's Proportionate Share of the Net Pension Liability	$1,426,011	$1,553,731	$1,303,735	$1,628,447
City's Covered Payroll	$575,226	$587,056	$476,643	$472,109
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	247.90%	264.66%	273.52%	344.93%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.03%	70.65%	69.89%	63.07%

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

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

See accompanying notes to the required supplementary information

2018	2017	2016	2015	2014
0.0200530%	0.0212840%	0.0210600%	0.0206536%	0.0206536%
$1,230,744	$1,348,107	$1,354,804	$1,069,942	$1,005,894
$448,713	$454,728	$440,284	$422,474	$336,540
274.28%	296.46%	307.71%	253.26%	298.89%
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 Six Years (1)

	2022	2021	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.0228526%	0.0227917%	0.0193532%	0.0199500%	0.0200530%	0.0212840%
City's Proportionate Share of the Net OPEB Liability	$250,188	$241,482	$191,166	$181,676	$1,136,176	$1,010,304
City's Covered Payroll	$575,226	$587,056	$476,643	$472,109	$448,713	$454,728
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	43.49%	41.13%	40.11%	38.48%	253.21%	222.18%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.90%	45.40%	47.08%	46.57%	14.13%	15.96%

(1) Although this schedule is intended to reflect information for ten years, information prior t
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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City of Wellston, Ohio
Required Supplementary Information
Schedule of City Contributions
Ohio Public Employees Retirement System
Last Ten Years (2)

	2022	2021	2020	2019
Net Pension Liability - Traditional Plan				
Contractually Required Contribution	$262,487	$235,094	$225,436	$214,890
Contributions in Relation to the Contractually Required Contribution	(262,487)	(235,094)	(225,436)	(214,890)
Contribution Deficiency (Excess)	$0	$0	$0	$0
City Covered Payroll	$1,874,907	$1,679,243	$1,610,257	$1,534,929
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%
Net Pension Asset - Combined Plan				
Contractually Required Contribution	$6,723	$6,296	$0	$8,346
Contributions in Relation to the Contractually Required Contribution	(6,723)	(6,296)	0	(8,346)
Contribution Deficiency (Excess)	$0	$0	$0	$0
City Covered Payroll	$48,021	$44,971	$0	$59,614
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	0.00%	14.00%
Net OPEB Liability - OPEB Plan (2)				
Contractually Required Contribution	$1,921	$1,799	$1,823	$1,781
Contributions in Relation to the Contractually Required Contribution	(1,921)	(1,799)	(1,823)	(1,781)
Contribution Deficiency (Excess)	$0	$0	$0	$0
City Covered Payroll	$1,922,928	$1,724,214	$1,610,257	$1,594,543
Contributions as a Percentage of Covered Payroll	0.10%	0.10%	0.11%	0.11%

(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.

2018	2017	2016	2015	2014	2013
$203,169	$177,160	$139,897	$125,029	$140,450	$111,454
(203,169)	(177,160)	(139,897)	(125,029)	(140,450)	(111,454)
$0	$0	$0	$0	$0	$0
$1,451,207	$1,362,769	$1,165,808	$1,041,908	$1,170,417	$857,338
14.00%	13.00%	12.00%	12.00%	12.00%	13.00%
$7,738	$7,150	$6,828	$6,600	$6,000	$6,500
(7,738)	(7,150)	(6,828)	(6,600)	(6,000)	(6,500)
$0	$0	$0	$0	$0	$0
$55,271	$55,000	$56,900	$55,000	$50,000	$50,000
14.00%	13.00%	12.00%	12.00%	12.00%	13.00%
$2,185	$15,999	$26,330			
(2,185)	(15,999)	(26,330)			
$0	$0	$0			
$1,506,478	$1,417,777	$1,222,708			
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

	2022	2021	2020	2019	2018
Net Pension Liability					
Contractually Required Contribution	$140,681	$115,661	$118,255	$97,146	$95,380
Contributions in Relation to the Contractually Required Contribution	(140,681)	(115,661)	(118,255)	(97,146)	(95,380)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0
City Covered Payroll (1)	$703,886	$575,226	$587,056	$476,643	$472,109
Pension Contributions as a Percentage of Covered Payroll	19.99%	20.11%	20.14%	20.38%	20.20%
Net OPEB Liability					
Contractually Required Contribution	$3,158	$2,877	$2,935	$2,384	$2,361
Contributions in Relation to the Contractually Required Contribution	(3,158)	(2,877)	(2,935)	(2,384)	(2,361)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	0.45%	0.50%	0.50%	0.50%	0.50%
Total Contributions as a Percentage of Covered Payroll	20.44%	20.61%	20.64%	20.88%	20.70%

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

See accompanying notes to the required supplementary information

2017	2016	2015	2014	2013
$91,613	$92,657	$89,864	$86,434	$57,125
(91,613)	(92,657)	(89,864)	(86,434)	(57,125)
$0	$0	$0	$0	$0
$448,713	$454,728	$440,284	$422,474	$336,540
20.42%	20.38%	20.41%	20.46%	16.97%
$2,243	$2,273	$2,201	$2,113	$12,171
(2,243)	(92,657)	(89,864)	(86,434)	(57,125)
$0	($90,384)	($87,663)	($84,321)	($44,954)
0.50%	0.50%	0.50%	0.50%	3.62%
20.92%	20.88%	20.91%	20.96%	20.59%

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	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 including wage inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including 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 Entry Age	Individual Entry Age	Individual Entry Age	Individual Entry Age

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

COLA or Ad Hoc COLA, Post-January 7, 2013 Retirees:

2022	3.0 percent, simple through 2022 then 2.05 percent, simple
2021	0.5 percent, simple through 2021 then 2.15 percent, simple
2020	1.4 percent, simple through 2020 then 2.15 percent, simple
2017 through 2019	3.0 percent, simple through 2018 then 2.15 percent, simple
2016 and prior	3.0 percent, simple through 2018 then 2.80 percent, simple 5.50 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 beginning in 2017 use pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of 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	2018
Wage Inflation	2.75 percent	3.25 percent	3.25 percent
Future Salary Increases	2.75 to 8.25 percent including wage inflation	3.25 to 8.25 percent including wage inflation	3.25 to 8.25 percent including 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 Entry Age	Individual Entry Age	Individual 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, compounded annually, consisting of Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increases based on the lesser of the increase in CPI and 3 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.

Amounts reported beginning in 2018 use valuation, 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/Conduent 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

Amounts reported beginning in 2018 use valuation, 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/Conduent 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

Amounts reported for 2017 and prior use valuation, rates of death were based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

Changes in Assumptions – OPERS OPEB

Wage Inflation:	
2022	2.75 percent
2021 and prior	3.25 percent
Projected Salary Increases (including wage inflation):	
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:	
2022	1.84 percent
2021	2.00 percent
2020	2.75 percent
2019	3.71 percent
2018	3.31 percent
Single Discount Rate:	
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:	
2022	5.5 percent, initial
	3.5 percent, ultimate in 2034
2021	8.5 percent, initial
	3.5 percent, ultimate in 2035
2020	10.5 percent, initial
	3.5 percent, ultimate in 2030
2019	10.0 percent, initial
	3.25 percent, ultimate in 2029
2018	7.5 percent, initial
	3.25 percent, ultimate in 2028

Changes in Assumptions – OP&F OPEB

Blended Discount Rate:	
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.

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.

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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 E. Broadway Street
Wellston, Ohio 45692

To the City Council:

We have audited, in accordance with the 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 16, 2024. We qualified our opinion on Governmental Activities, Business Type Activities, Major Water Fund, and Major Sewer Fund because management has not established an adequate method of recording capital assets.

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 purpose of expressing our opinion 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2022-003 through 2022-007 that we consider to be material weaknesses.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items 2022-001 through 2022-004.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying Schedule of Findings. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.

Keith Faber
Auditor of State
Columbus, Ohio

April 16, 2024

CITY OF WELLSTON
JACKSON COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2022

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

FINDING NUMBER 2022-001

Noncompliance

Ohio Rev. Code § 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there-from, as certified by the county budget commission, or in case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as "estimated resources" because it includes unencumbered fund balances.

At December 31, 2022, the City's appropriations exceeded the amount certified as available by the budget commission in the County Sales Tax Fund and Street Levy Fund by $29,090 and $78,303, respectively.

Failure to limit appropriations to the amount certified by the budget commission due to deficiencies in the City's compliance monitoring policies and procedures could result in overspending and negative cash fund balances.

The City should draft, approve, and implement procedures to compare appropriations to estimated resources and, if adequate resources are available for additional appropriations, the City should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by City Council to reduce the appropriations.

Officials' Response: The City currently has procedures in place with the Law Director, City Council as well as Administration to pass the appropriate legislation and amendments to certify with the County to make sure negative cash fund balances do not happen in the future.

FINDING NUMBER 2022-002

Noncompliance

Ohio Rev. Code § 5705.41(D)(1) provides that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required meet the obligation or, the case of continuing contract to be performed in whole or in part in an ensuing fiscal year, the amount required to meet the obligation in the fiscal year in which the contract is made has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that treasurer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Ohio Rev. Code §§ 5705.41(D)(1) and 5705.41(D)(3), respectively.

1. "Then and Now" certificate – If the chief fiscal officer can certify both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collections, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the City Council can authorize the drawing of

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2022-002 (Continued)

Noncompliance – Ohio Rev. § 5705.41(D)(1) (Continued)

a warrant for the payment of the amount due. The City Council has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts less than $100 in counties and less than $3,000 in all other subdivisions or taxing units may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the City Council.

2. Blanket Certificate – The auditor or fiscal officer may prepare “blanket” certificates for a certain sum of money, not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority, against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The City Council may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel oil, gasoline, food items, roadway materials, utilities, and any other specific recurring and reasonably predictable operating expense. This certification may, but need not, be limited to a specific vendor. This certification is not to extend beyond the current fiscal year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Due to deficiencies in internal controls, 20 percent of disbursements tested during 2022 and 38 percent of disbursements tested with accounts payable included a "then and now" certificate that exceeded $3,000 and was required to be approved by City Council but no approval was noted. Seventeen percent of disbursements tested in the month following fiscal year end included "then and now" certificates; however, the obligation date was the same date of the "then and now" certificate and a regular purchase order should have been used. In addition, six percent of disbursements tested in the month following fiscal year end included a purchase order but was certified after the obligation date so a "then and now" certificate should have been used.

We also noted purchase orders are maintained in the VIP system and when generated on demand, they show signatures of the current officials instead of those officials who were in those positions at the time the purchase order was initially created. The certification dates are unchanged but the visible signature of the certifying official updates to the current signers on record in the VIP system.

Also, the City had 23 blanket certificates still outstanding at year end and two blanket certificates issued on January 10, 2022 that were both outstanding from the same line item appropriation.

Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2022-002 (Continued)

Noncompliance – Ohio Rev. § 5705.41(D)(1) (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to help ensure purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the City's funds exceeding budgetary spending limitations, the City Auditor should certify the funds are or will be available prior to obligation by the City. When prior certification is not possible, "then and now" certification should be used and if certification exceeds $3,000, City Council approval must be obtained. The City should contact the software company regarding the current official's approval on purchase orders overriding those officials at the time the purchase order was approved. Also, the City should consider printing or saving all purchase orders outside the system to support those individuals in the City Auditor and Service Director positions at that given time, were the ones approving the purchase orders.

Officials' Response: All then and now certificates over $3,000 are taken to City Council for approval. VIP software was implemented in November 2021 and the City is still trying to work out any issues. The accountability of all purchase orders are in VIP and are time stamped through individual administrative workflows.

FINDING NUMBER 2022-003

Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-02 (A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

Ohio Admin. Code § 117-2-02 (D)(4)(c) states, all public offices should maintain or provide a report similar to the following accounting records: capital asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location, and tag number. Capital assets are tangible assets that normally do not change form with use and should be distinguished from repair parts and supply items.

The City's capital asset listing only reported 12 of the 94 parcels in the City's name on the County Auditor's website. This resulted in a total of 177 acres of the 264 in the City's name not being reported as Land in the City's Non-depreciable Capital Assets. Some of these parcels are included in property leases to Alltel and Acorn Development yet the parcels are unrecorded by the City. We were unable to determine the value of the 82 unrecorded parcels so these parcels are not reflected on the City's capital asset listing and financial statements. We were also unable to determine which parcels are for use of the Governmental Activities and which are for use of the Business-Type Activities. As such, we have qualified our opinion on the Governmental Activities, Business-Type Activities, Water and Sewer Funds.

Further, the City has an agreement with Make Wellston Beautiful, which is a 501(c)(3) organization to use real property owned by the City known as parks, ball fields, and recreational areas, for the purpose of recreational activities in the City. The lease agreement did not include who obtained ownership of items purchased by Make Wellston Beautiful for use at the parks, ball fields, and recreational areas.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2022-003 (Continued)

Noncompliance and Material Weakness – Ohio Admin. Code §§ 117-202(A) (Continued)

This could lead to the possibility of the City not tracking capital assets or the tracking of a said capital asset that is the sole possession of the Make Wellston Beautiful organization.

Finally, the City had $1,051,522 in construction in progress unrecorded for 2022 in the governmental activities. This activity stems from the Wellston Recreation Complex improvements that were unrecorded by the City and the related land improvements at their park, ball field, and recreational area on state route 327. The City signed a consent of right of entry for construction/improvements on 41.044 acres of the City's land which is part of the unrecorded land noted above. The City also had unrecorded governmental activities depreciable assets in infrastructure of $199,943, in vehicles of $31,245, and in furniture and equipment of $35,845 due to deficiencies in tracking capital asset additions. The City also included assets totaling $139,608 in the total for Construction in Progress and the total for Infrastructure in the Sewer Fund due to deficiencies in tracking capital assets. Of this amount, $50,009 should be shown as deletions to Construction in Progress as the project is now complete, and $89,599 should be reduced from Infrastructure and remain in Construction in Progress as that project is still ongoing.

The City should implement policies and procedures to verify capital asset records are complete and accurate. Further, the City should, with their GAAP compiler, obtain the historical values for these parcels and record them. Further, an appraisal of the land improvements on the City's recreational parcels could be warranted to record the improvement value to the existing land.

Officials' Response: The City is now in control of the parks and ballfields as make Wellston Beautiful dissolved. The Mayor and Service Director are working with Evaluation Engineers to resolve this issue.

FINDING NUMBER 2022-004

Noncompliance and Material Weakness

Ordinance 2021-41 passed on September 2, 2021 requires owners of property owned for rental purposes to obtain a rental dwelling or rooming house permit from the Office of Code Enforcement. Before January of 2023 this regulation was not enforced.

The Aged Trial Balance Summary report at January 3, 2023 had total delinquencies over 30 days in the amount of $1,726,675. Of this, $583,300 was an error when converting a customer account to the new system which has been corrected. Other delinquencies consisted of additional conversion errors from the old to the new utility system, COVID-19 restrictions to shutting water off, and customer accounts who were on the City sewer system but had County water supply and the City cannot shut off sewer only accounts. The majority relates to rental property for which utility agreements did not include the landowners name as the ordinance was not being followed.

As the Ordinance was not enforced, renters would fail to pay utilities used for the property and would fall delinquent but the City would have no recourse to make collections on the amounts owed as the City was unable to place a lien on the property as the property owner was not included on the utility agreement.

Failure of the City to implement and follow established guidelines resulted in loss of revenue with no recourse to obtain the amounts owed.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2022-004 (Continued)

Noncompliance and Material Weakness - Ordinance 2021-41 (Continued)

The City Utility Department and officials should work to ensure all established policies and guidelines are followed for collections to be made. A review of the Aged Trial Balance should be made to determine if collection is possible on any of these delinquent accounts. Going forward, policies should be followed, and water should be shut off for non-payment. If Council approves to write off these accounts, formal action should be included in the minute record and maintained for audit.

Officials' Response: The Code Enforcement Administrative Assistant is now mailing out reminders. Water and sewer accounts are now being placed in the customer or renter's name along with the landowner's name and therefore lien's may be filed against the landowners.

FINDING NUMBER 2022-005

Material Weakness

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The City Treasurer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the City Council and/or other administrator are responsible for reviewing the reconciliations and related support.

Monthly bank to book reconciliations were prepared each month of 2022 but not all months were provided/reviewed by City Council. Starting in May 2022, other adjusting factors appeared on the Treasurer's reconciliation and fluctuated each month. At December 31, 2022, the Treasurer's unaudited reconciliation shows other adjusting factors of $1,989 with the book balance higher than the bank balance. However, the audited reconciliation for December 2022 was out of balance $3,098 with the bank balance higher than the book balance.

The City's reconciliations continued to show reconciling differences in 2023 with amounts reaching significant variances. The City signed an agreement with their software company on July 11, 2023 for their assistance in identifying and correcting the bank reconciliation discrepancies for June 2022 through December 2022. When the software company could not identify the errors, an IPA firm was hired in late 2023 to reconcile the City through the end of 2023.

Payroll account reconciliations were prepared and on file with the Deputy Auditor for all of 2022. However, the City created a new position of Human Resources Clerk who is now responsible for reconciling the payroll account. The account is not reconciled for 2023.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2022-005 (Continued)

Material Weakness (Continued)

Failure to reconcile monthly increases the possibility that the City will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Auditor's Office should record all transactions and the City Treasurer should prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented, and corrected. In addition, City Council should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

Further, the Human Resources Clerk should prepare monthly bank to book payroll reconciliations. Variances should be investigated, documented, and corrected. These payroll reconciliations should also be reviewed by another individual each month as a compensating control.

Officials' Response: The City has contracted with an outside accounting firm to reconcile. The City has a new Treasurer and is willing to undergo continual education with VIP software system.

FINDING NUMBER 2022-006

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Council to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the City, and the appropriation ledger provides the process by which the City controls spending, it is therefore necessary the amounts appropriated by the Council are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the City and the receipts ledger provides the process by which the City controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2022-006 (Continued)

Material Weakness (Continued)

At December 31, 2022, appropriations as approved by City Council did not agree to the City's accounting system for the following funds:

	Approved	VIP System	Variance
General Fund	$2,773,955	$2,523,938	$250,017
Fire Fund	563,181	567,592	(4,411)
Fire Levy Fund	10,000	30,000	(20,000)
Street Fund	621,910	632,670	(10,760)
County Sales Tax Fund	551,100	557,363	(6,263)
Water Fund	1,999,714	2,197,335	(197,621)
Sewer Fund	1,299,739	1,471,036	(171,297)
North Sewer Capital Fund	199,761	316,420	(116,659)
Garbage Fund	756,691	760,896	(4,205)

At December 31, 2022, estimated resources as approved by the city council did not agree to the City's accounting system for the following funds:

	Approved	VIP System	Variance
Sewer Fund	$ 1,208,627	$ 1,201,700	$ 6,927
Garbage Fund	688,370	420,000	268,370

The City did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations (and/or amendments thereof) approved by Board/Council were not properly posted to the accounting system. Additionally, the approved Certificate of Estimated Resources (and/or amendments thereof) was not posted to the accounting system.

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the City should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Council. The City should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

Officials' Response: The City no loner uses VIP analytics software. The Auditor is manually using the old system and feel it is more reliable.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2022-007

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The following errors were noted in the financial statements that required audit adjustment or reclassification:

- The Statement No. 54 of Governmental Accounting Standards Board (GASB) defines the reporting of fund balances on the financial statements and was codified as follows: GASB Cod. 1800.176 requires amounts as assigned when subsequent appropriations exceed estimated receipts. The City incorrectly reported the assigned portion of the General Fund's cash fund balance as unassigned, in the amount of $59,484;
- General Fund intergovernmental receivable and intergovernmental revenue were understated $26,626;
- General Fund intergovernmental revenue of $12,257, Cemetery Fund intergovernmental revenue of $3,838, Street Levy Fund intergovernmental revenue of $2,658, and Fire Levy Fund intergovernmental revenue of $18,498 was incorrectly recorded as intergovernmental revenue in the Railroad Depot Fund;
- Street Fund intergovernmental revenue of $22,191 was incorrectly recorded as permissive motor vehicle license tax receipts;
- Street Fund permissive motor vehicle license tax receipts of $19,572 were incorrectly recorded as intergovernmental receipts;
- Street Fund intergovernmental receivable and unavailable revenue were overstated $26,575;
- Street Fund permissive motor vehicle license receivable of $25,769 and unavailable revenue of $28,371 were understated and permissive motor vehicle license revenue of $2,602 was overstated;
- State Highway Improvement Fund intergovernmental revenue of $1,799 was incorrectly recorded as permissive motor vehicle license tax receipts in the Street Fund;
- County Sales Tax intergovernmental revenue of $29,839, unavailable revenue of $26,803, and intergovernmental receivable of $56,642 were understated;
- Recreation Fund on behalf intergovernmental revenue and capital outlay expenditures of $1,051,522 were omitted. This resulted in the Recreation Fund not being presented as a major fund and activity reported in Remaining Fund Information;
- Water Fund intergovernmental revenue of $560,847 and Sewer Fund intergovernmental revenue of $56,563 were incorrectly classified as capital grants and contribution receipts;
- Water Fund accounts receivable and charge for service revenue were overstated $42,678, Sewer Fund accounts receivable and charge for service revenue were overstated $132,059; and Garbage Fund accounts receivable and charge for service revenue were overstated $62,225;

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2022-007 (Continued)

Material Weakness (Continued)

- Sewer Fund non-depreciable capital assets were overstated $50,009 for Construction in Progress that was included as an addition to infrastructure but not removed from Construction in Progress and depreciable capital assets were overstated $89,599 for an amount recorded both as Construction in Progress and infrastructure;
- Governmental activities depreciable capital assets of $267,033 were unrecorded; and
- Governmental activities non-depreciable capital assets of $1,051,522 were unrecorded.

The audited financial statements and the City's accounting system have been adjusted for the issues noted above.

To ensure the City's financial statements complete and accurate, the City Auditor should review the basic financial statements compiled by LGS prior to filling those statements in the Hinkle System. Further, the City should verify the supporting documentation of money received to ensure it is recorded, including on behalf activity, and classified in the proper fund.

Officials’ Response: All issues concerning posting to the wrong funds have been 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 4/30/2024

88 East Broad Street, Columbus, Ohio 43215
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