



CLARK SCHAEFER HACKETT  
BUSINESS ADVISORS

# **CITY OF WELLSTON, OHIO**

JACKSON COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2020



OHIO AUDITOR OF STATE  
KEITH FABER



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

We have reviewed the *Independent Auditors' Report* of the City of Wellston, Jackson County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2020 through December 31, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Keith Faber  
Auditor of State  
Columbus, Ohio

September 01, 2021

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## **INDEPENDENT AUDITORS' REPORT**

To the City Council  
City of Wellston:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wellston ("the City"), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

#### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wellston as of December 31, 2020, 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 and the Coronavirus CARES Act Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As discussed in Note 3 to the financial statements, during the year ended December 31, 2020, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 83, *Certain Asset Retirement Obligations*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it 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 July 30, 2021 on our consideration of City of Wellston's internal control over financial reporting and on 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 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 City of Wellston's internal control over financial reporting and compliance.

*Clark, Schaefer, Hackett & Co.*

Columbus, Ohio  
July 30, 2021

**City of Wellston, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2020*  
*Unaudited*

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The discussion and analysis of the City of Wellston's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2020. 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 2020 are as follows:

- The City's total net position increased by \$1,554,289, 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 \$7,551,128, an increase of \$1,045,473 from the prior year.
- At the end of the current year, the City's business-type activities reported total net position of \$10,755,592, an increase of \$508,816 from the prior year.
- At the end of the current year, unassigned fund balance for the General Fund was \$1,370,101 an increase from the prior year of \$327,730.

**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 2020?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, deferred outflows/inflows of resources and liabilities using the accrual basis of accounting similar to the accounting used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net position and changes in net positions. This change in net position is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, nonfinancial information such as the condition of City capital assets will also need to be evaluated.

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In the Statement of Net Position and the Statement of Activities, the City is divided into two kinds of activities:

Governmental Activities – Most of the City's services are reported here including police, administration, and all departments with the exception of our Water, Sewer, and Garbage Funds.

Business-Type Activities – Water and sewer services have charges based upon the amount of usage. The City historically has not charged fees to recoup the cost of the entire operations of our Water and Sewer Treatment Plants as well as all capital expenses associated with the facilities. Garbage collection services have charges based upon set rates. The City attempts to set fees that cover the costs of providing the service.

***Reporting the City of Wellston's Most Significant Funds***

*Fund Financial Statements*

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Fund financial reports provide detailed information about the City's major funds. Based on the restriction on the use of monies, the City has established many funds that account for the multitude of services provided to its residents. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the General Fund, as well as the Fire Levy and Coronavirus CARES Act 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.

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**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 2020 compared to 2019, which has been restated for the implementation for GASB 83.

Table 1 - Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	Restated 2019	2020	Restated 2019
<b>Assets</b>						
Current and Other Assets	\$7,781,310	\$6,559,348	\$5,120,694	\$4,164,196	\$12,902,004	\$10,723,544
Net Pension Asset	11,170	5,636	16,756	8,815	27,926	14,451
Capital Assets	4,302,362	4,128,247	11,902,042	11,944,829	16,204,404	16,073,076
<i>Total Assets</i>	<u>12,094,842</u>	<u>10,693,231</u>	<u>17,039,492</u>	<u>16,117,840</u>	<u>29,134,334</u>	<u>26,811,071</u>
<b>Deferred Outflows of Resources</b>						
Pension	387,343	826,014	208,921	549,796	596,169	627,005
OPEB	236,199	184,754	145,159	71,492	376,972	197,963
Asset Retirement Obligation	0	0	84,038	86,992	84,038	86,992
<i>Total Deferred Outflows</i>	<u>623,542</u>	<u>1,010,768</u>	<u>438,118</u>	<u>708,280</u>	<u>1,057,179</u>	<u>911,960</u>
<b>Liabilities</b>						
Current and Other Liabilities	244,975	200,339	563,843	291,186	808,818	491,525
Long-term Liabilities:						
Due Within One Year	137,739	110,851	249,602	226,149	387,341	337,000
Due in More than One Year:						
Net Pension Liability	2,166,230	2,776,154	1,293,743	1,795,131	3,459,973	4,571,285
Net OPEB Liability	790,577	728,025	899,117	854,545	1,689,694	1,582,570
Other Amounts	690,882	661,613	3,301,841	3,333,642	3,992,723	3,995,255
<i>Total Liabilities</i>	<u>4,030,403</u>	<u>4,476,982</u>	<u>6,308,146</u>	<u>6,500,653</u>	<u>10,338,549</u>	<u>10,977,635</u>
<b>Deferred Inflows of Resources</b>						
Property Taxes	546,767	543,619	0	0	546,767	543,619
Pension	390,321	71,997	280,696	55,427	670,922	513,446
OPEB	199,765	105,746	133,176	23,264	328,555	166,842
<i>Total Deferred Inflows</i>	<u>1,136,853</u>	<u>721,362</u>	<u>413,872</u>	<u>78,691</u>	<u>1,546,244</u>	<u>1,223,907</u>
<b>Net Position</b>						
Net Investment in Capital Assets	3,506,228	3,454,817	8,635,299	8,604,191	12,141,527	12,059,008
Restricted for:						
Street Construction	618,700	518,081	0	0	618,700	518,081
Police Protection	18,656	15,986	0	0	18,656	15,986
Fire Protection	399,903	98,420	0	0	399,903	98,420
Cemetery	140,302	124,723	0	0	140,302	124,723
Community Development	1,124,470	715,341	0	0	1,124,470	715,341
Capital Projects	2,461,090	2,460,217	0	0	2,461,090	2,460,217
Cemetery Perpetual Care	251,268	251,268	0	0	251,268	251,268
Recreation	945	1,456	0	0	945	1,456
Unclaimed Monies	5,763	3,787	0	0	5,763	3,787
Unrestricted (Deficit)	(976,197)	(1,138,441)	2,120,293	1,642,585	1,144,096	504,144
<i>Total Net Position</i>	<u>\$7,551,128</u>	<u>\$6,505,655</u>	<u>\$10,755,592</u>	<u>\$10,246,776</u>	<u>\$18,306,720</u>	<u>\$16,752,431</u>

**City of Wellston, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2020*  
*Unaudited*

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The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2020. 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 School District 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, 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.

Pension/OPEB changes noted in the above table reflect an overall increase in deferred outflows and overall increase in deferred inflows. These changes are affected by changes in benefits, contribution rates, return on investments, and actuarial assumptions. The decrease in the net pension liability and increase in the net OPEB liability represent the City’s proportionate share of the unfunded benefits.

Aside from changes related to pension/OPEB, there were several other changes of note for governmental activities. The increase in current and other assets was due to an increase in cash and cash equivalents and intergovernmental receivables, which were offset by a decrease in prepaid items. The increase in cash and cash equivalents is attributable to higher revenues coupled with careful spending. The decrease in prepaid items was due to the decrease in the expense paid in 2020 for 2021 expenses compared to those made in 2019. Net capital assets for governmental activities increased from the prior year due to additional assets purchased and the construction of the Railroad Depot. Current liabilities increased due to an increase in contracts payable being offset by a decrease in accrued wages and an increase in accounts payable. Accrued wages decreased due to the timing of the payroll. There were five less days accrued in 2020 compared to 2019. The increase in contracts payable is from the construction of the Railroad Depot.

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 2020 and 2019.

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**Table 2 - Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	Restated 2019	2020	Restated 2019
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$346,487	\$217,713	\$3,534,753	\$3,320,891	\$3,881,240	\$3,538,604
Operating Grants and Contributions	1,999,361	758,729	0	145,969	1,999,361	\$904,698
<i>Total Program Revenues</i>	<i>2,345,848</i>	<i>976,442</i>	<i>3,534,753</i>	<i>3,466,860</i>	<i>5,880,601</i>	<i>4,443,302</i>
General Revenues:						
Property Taxes	629,812	585,634	0	0	629,812	585,634
Income Taxes	1,329,669	1,292,199	0	0	1,329,669	1,292,199
Grants and Entitlements	139,098	150,469	0	0	139,098	150,469
Investment Earnings	85,167	91,193	0	0	85,167	91,193
Miscellaneous	291,328	169,928	309,293	113,981	600,621	283,909
Total General Revenues	2,475,074	2,289,423	309,293	113,981	2,784,367	2,403,404
Total Revenues	4,820,922	3,265,865	3,844,046	3,580,841	8,664,968	6,846,706
Transfers	0	(26,500)	0	26,500	0	0
<i>Total Revenues and Transfers</i>	<i>4,820,922</i>	<i>3,239,365</i>	<i>3,844,046</i>	<i>3,607,341</i>	<i>8,664,968</i>	<i>6,846,706</i>
<b>Program Expenses</b>						
General Government	894,961	1,025,105	0	0	894,961	1,025,105
Police	1,186,437	465,342	0	0	1,186,437	465,342
Fire	561,753	301,742	0	0	561,753	301,742
Transportation	693,862	706,741	0	0	693,862	706,741
Leisure Time Activities	39,041	38,659	0	0	39,041	38,659
Public Health Services	106,587	59,563	0	0	106,587	59,563
Public Health Services - Intergovernmental	30,000	0	0	0	30,000	0
Community Environment	78,729	41,648	0	0	78,729	41,648
Community Environment - Intergovernmental	29,388	0	0	0	29,388	0
Basic Utility Services	131,297	0	0	0	131,297	\$0
Interest and Fiscal Charges	23,394	11,322	0	0	23,394	11,322
Water	0	0	1,803,323	1,838,240	1,803,323	1,838,240
Sewer	0	0	1,125,502	1,186,706	1,125,502	1,186,706
Garbage	0	0	406,405	371,558	406,405	371,558
<i>Total Program Expenses</i>	<i>3,775,449</i>	<i>2,650,122</i>	<i>3,335,230</i>	<i>3,396,504</i>	<i>7,110,679</i>	<i>6,046,626</i>
Change in Net Position	1,045,473	589,243	508,816	210,837	1,554,289	800,080
Net Position Beginning of Year	6,505,655	5,916,412	10,246,776	10,035,939	16,752,431	15,952,351
Net Position End of Year	\$7,551,128	\$6,505,655	\$10,755,592	\$10,246,776	\$18,306,720	\$16,752,431

***Governmental Activities***

Operating grants and contributions accounted for 41.5 percent of total governmental revenues. Property taxes revenue provided 13.1 percent of total governmental revenues, and 27.6 percent was generated from income taxes. Income taxes, property taxes, and unrestricted grants and entitlements combined together, provided 43.5 percent of the City's total governmental revenues.

The City had \$346,487 in charges for services during 2020. This was an increase of \$128,774 from 2019, which was primarily due to an increase in fire department training fees. In addition to these training fees, these direct charges to citizens include fire protection contracts, court fines and forfeitures, police security services, and licenses and permits.

The City's security of persons and property-police, activities accounted for \$1,186,437 of total expenses. This was an increase from 2019 of \$721,095, primarily due to an increase in OPEB expenses and overall expenditures for the police department.

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*Management's Discussion and Analysis*  
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*Unaudited*

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General government activities accounted for \$894,961. This was a decrease in expenses of \$130,144, primarily due to a decrease in the purchase of materials and supplies and contractual services.

***Business-Type Activities***

The City's business-type activities are for water, sewer, and garbage services. The major source of revenue for these funds is charges for services. During 2020, program revenues exceeded expenses in the business-type activities funds due to an increase in charges for services.

The minimum water rate is \$8.00 for the first one thousand gallons of water. Sewer fees are calculated on the amount of water used. The minimum sewer rate is \$14.00 per month. Garbage fees are assessed at a rate of a \$27 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 2020, fund balance was \$1,639,496. 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 disbursements. Unassigned fund balance represents 82.5 percent of total General Fund expenditures, while total fund balance represents 98.7 percent of that same amount. The fund balance of the City's General Fund increased by \$421,303.

***Other Major Governmental Funds***

The fund balance of the Fire Levy Special Revenue Fund at December 31, 2020, was \$323,987, an increase of \$295,572. In 2020, there was an increase in intergovernmental revenue and charges for services.

The Coronavirus CARES Act Special Revenue Fund purchased assets for the City along with reimbursing salary expenses for employees within the City. This included purchases of disinfecting units for the City building and a generator for the Fire Department. The City also funded local governments with portions of the grant to assist in relief measures.

The fund balance of the Permanent Investment Capital Projects Fund at December 31, 2020, was \$2,433,835, the same as the prior year. The balance represents the proceeds from the 1967 sale of the City's electric utility.

***Enterprise Funds***

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

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*Unaudited*

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The City's enterprise funds are the Water, Sewer, and Garbage Funds. The Water Fund's net position increased \$120,427, primarily due to an increase in charges for services, offset by an increase in OWDA loans payable and an increase in net pension liability. The Sewer Fund's net position increased \$370,882, primarily due to an increase in revenues. The Garbage Fund's net position increased \$17,507. The increase in the Garbage Fund's net position was primarily due to an increase in revenues.

**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 2020, the City amended its budget several times, due to grants 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 over the final budget in the amount of \$325,032 in the General Fund. The original appropriations were increased \$90,483; however, the actual expenditures were \$153,910 more than the final budget for expenditures. The City's ending unencumbered fund cash balance in the General Fund was \$603,942 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. The Coronavirus CARES Act Fund also alleviated some of the general expenses within the City.

The City did not make significant revisions to the original appropriations or the original budgeted revenues approved by City Council.

**Capital Assets and Debt Administration**

***Capital Assets***

Total capital assets for the governmental activities, net of accumulated depreciation increased from the prior year as a result of additions of assets. These additions include a mower, two pickup trucks, disinfecting units, generator, skid steer, city lot, and the installation of fiber optics. Additions to construction in progress include the construction on the Railroad Depot.

Total capital assets for the business-type assets, net of accumulated depreciation decreased from the prior year as a result of annual depreciation outpacing current year additions. These additions include, two pumps, SCADA System, C12 System, generator, meter, drive unit, sewer line extension, and electrical upgrades. Included in the asset additions for construction in progress are two ongoing projects. These projects are for the water plant upgrade, and water system improvements.



**City of Wellston, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2020*  
*Unaudited*

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

***Long-term Obligations***

As of December 31, 2020, long-term obligations include general obligation bonds, revenue bonds, OPWC loans, OWDA loans, loans, net pension liability, net OPEB liability, compensated absences, and asset retirement obligation.

The City has loans for fire department renovations, fire trucks, air packs paid from the Fire Special Revenue Fund. Financed purchases paid by the Sewer Fund include the payoff of the general obligation bonds and the revenue bonds. The Water Fund and Sewer Fund pay for the loans of the FlexNet system.

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.

# Basic Financial Statements

**City of Wellston, Ohio**  
*Statement of Net Position*  
*December 31, 2020*

	Governmental Activities	Business-Type Activities*	Total*
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$2,989,416	\$4,415,983	\$7,405,399
Investments	2,632,283	0	2,632,283
Accrued Interest Receivable	151	0	151
Accounts Receivable	98	639,410	639,508
Permissive Motor Vehicle License Tax Receivable	4,779	0	4,779
Intergovernmental Receivable	774,646	78	774,724
Income Taxes Receivable	389,832	0	389,832
Property Taxes Receivable	746,660	0	746,660
Loans Receivable	157,833	0	157,833
Prepaid Items	32,609	21,917	54,526
Materials and Supplies Inventory	53,003	43,306	96,309
Net Pension Asset	11,170	16,756	27,926
Non-Depreciable Capital Assets	682,780	1,014,601	1,697,381
Depreciable Capital Assets, Net	3,619,582	10,887,441	14,507,023
<i>Total Assets</i>	<u>12,094,842</u>	<u>17,039,492</u>	<u>29,134,334</u>
<b>Deferred Outflows of Resources</b>			
Pension	387,343	208,921	596,169
OPEB	236,199	145,159	376,972
Asset Retirement Obligation	0	84,038	84,038
Total Deferred Outflows of Resources	<u>623,542</u>	<u>438,118</u>	<u>1,057,179</u>
<b>Liabilities</b>			
Accounts Payable	88,602	208,741	297,343
Contracts Payable	94,293	10,996	105,289
Accrued Wages Payable	17,040	13,067	30,107
Intergovernmental Payable	30,870	20,192	51,062
Accrued Interest Payable	14,170	22,501	36,671
Customer Deposits Payable	0	288,346	288,346
Long-Term Liabilities:			
Due Within One Year	137,739	249,602	387,341
Due In More Than One Year:			
Net Pension Liability	2,166,230	1,293,743	3,459,973
Net OPEB Liability	790,577	899,117	1,689,694
Other Amounts	690,882	3,301,841	3,992,723
<i>Total Liabilities</i>	<u>4,030,403</u>	<u>6,308,146</u>	<u>10,338,549</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	546,767	0	546,767
Pension	390,321	280,696	670,922
OPEB	199,765	133,176	328,555
<i>Total Deferred Inflows of Resources</i>	<u>1,136,853</u>	<u>413,872</u>	<u>1,546,244</u>
<b>Net Position</b>			
Net Investment in Capital Assets	3,506,228	8,635,299	12,141,527
Restricted for:			
Street Construction	618,700	0	618,700
Recreation	945	0	945
Police Protection	18,656	0	18,656
Fire Protection	399,903	0	399,903
Cemetery	140,302	0	140,302
Community Development	1,124,470	0	1,124,470
Capital Projects	2,461,090	0	2,461,090
Cemetery Perpetual Care	251,268	0	251,268
Unclaimed Monies	5,763	0	5,763
Unrestricted (Deficit)	<u>(976,197)</u>	<u>2,120,293</u>	<u>1,144,096</u>
<i>Total Net Position</i>	<u>\$7,551,128</u>	<u>\$10,755,592</u>	<u>\$18,306,720</u>

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

See accompanying notes to the basic financial statements

**City of Wellston, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2020

	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Interest
<b>Governmental Activities</b>			
General Government	\$894,961	\$131,555	\$265,196
Security of Persons and Property:			
Police	1,186,437	27,837	201,529
Fire	561,753	159,959	281,262
Transportation	693,862	0	507,161
Leisure Time Activities	39,041	0	0
Public Health Services	106,587	10,636	41,185
Public Health Services - Intergovernmental	30,000	0	30,000
Basic Utility Services	131,297	0	131,297
Community Environment	78,729	16,500	512,343
Community Environment - Intergovernmental	29,388	0	29,388
Interest and Fiscal Charges	23,394	0	0
<i>Total Governmental Activities</i>	<u>3,775,449</u>	<u>346,487</u>	<u>1,999,361</u>
<b>Business-Type Activities</b>			
Water	1,803,323	1,731,591	0
Sewer	1,125,502	1,412,219	0
Garbage	406,405	390,943	0
<i>Total Business-Type Activities</i>	<u>3,335,230</u>	<u>3,534,753</u>	<u>0</u>
<i>Totals</i>	<u><u>\$7,110,679</u></u>	<u><u>\$3,881,240</u></u>	<u><u>\$1,999,361</u></u>

**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

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
(\$498,210)	\$0	(\$498,210)
(957,071)	0	(957,071)
(120,532)	0	(120,532)
(186,701)	0	(186,701)
(39,041)	0	(39,041)
(54,766)	0	(54,766)
0	0	0
0	0	0
450,114	0	450,114
0	0	0
(23,394)	0	(23,394)
(1,429,601)	0	(1,429,601)
0	(71,732)	(71,732)
0	286,717	286,717
0	(15,462)	(15,462)
0	199,523	199,523
(1,429,601)	199,523	(1,230,078)
177,029	0	177,029
272,863	0	272,863
56,880	0	56,880
123,040	0	123,040
1,329,669	0	1,329,669
139,098	0	139,098
85,167	0	85,167
291,328	309,293	600,621
2,475,074	309,293	2,784,367
1,045,473	508,816	1,554,289
6,505,655	10,246,776	16,752,431
\$7,551,128	\$10,755,592	\$18,306,720

**City of Wellston, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2020*

	General	Fire Levy	Permanent Investment	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$1,423,046	\$332,553	\$0	\$1,228,054	\$2,983,653
Restricted Cash and Cash Equivalents	5,763	0	0	0	5,763
Investments	0	0	2,433,835	198,448	2,632,283
Receivables:					
Accrued Interest	21	0	0	130	151
Accounts	98	0	0	0	98
Income Tax	389,832	0	0	0	389,832
Property Taxes	233,347	307,987	0	205,326	746,660
Intergovernmental	68,770	21,704	0	684,172	774,646
Permissive Motor Vehicle License Taxes	0	0	0	4,779	4,779
Loans	0	0	0	157,833	157,833
Prepaid Items	22,015	4,268	0	6,326	32,609
Materials and Supplies Inventory	624	0	0	52,379	53,003
<i>Total Assets</i>	<u>\$2,143,516</u>	<u>\$666,512</u>	<u>\$2,433,835</u>	<u>\$2,537,447</u>	<u>\$7,781,310</u>
<b>Liabilities</b>					
Accounts Payable	\$18,724	\$11,004	\$0	\$58,874	\$88,602
Accrued Wages Payable	10,827	3,286	0	2,927	17,040
Contracts Payable	0	0	0	94,293	94,293
Intergovernmental Payable	20,908	4,244	0	5,718	30,870
<i>Total Liabilities</i>	<u>50,459</u>	<u>18,534</u>	<u>0</u>	<u>161,812</u>	<u>230,805</u>
<b>Deferred Inflows of Resources</b>					
Property Taxes	170,876	225,534	0	150,357	546,767
Unavailable Revenue	282,685	98,457	0	546,907	928,049
<i>Total Deferred Inflows of Resources</i>	<u>453,561</u>	<u>323,991</u>	<u>0</u>	<u>697,264</u>	<u>1,474,816</u>
<b>Fund Balances</b>					
Nonspendable for:					
Cemetery Perpetual Care	0	0	0	251,268	251,268
Inventories	624	0	0	52,379	53,003
Prepaid Items	22,015	4,268	0	6,326	32,609
Unclaimed Monies	5,763	0	0	0	5,763
Restricted for:					
Street Construction	0	0	0	434,656	434,656
Police Protection	0	0	0	18,656	18,656
Fire Protection	0	319,719	0	0	319,719
Recreation	0	0	0	945	945
Cemetery	0	0	0	118,967	118,967
Community Development	0	0	0	657,842	657,842
Capital Projects	0	0	2,433,835	27,255	2,461,090
Committed for:					
Community Development	0	0	0	101,680	101,680
Assigned to:					
Capital Improvements	0	0	0	8,397	8,397
Purchases on Order	119,134	0	0	0	119,134
Subsequent Year's Appropriations	121,859	0	0	0	121,859
Unassigned	1,370,101	0	0	0	1,370,101
<i>Total Fund Balances</i>	<u>1,639,496</u>	<u>323,987</u>	<u>2,433,835</u>	<u>1,678,371</u>	<u>6,075,689</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$2,143,516</u>	<u>\$666,512</u>	<u>\$2,433,835</u>	<u>\$2,537,447</u>	<u>\$7,781,310</u>

See accompanying notes to the basic financial statements

**City of Wellston, Ohio**  
*Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
December 31, 2020*

<b>Total Governmental Fund Balances</b>		<b>\$6,075,689</b>
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.		4,302,362
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:		
Delinquent Property Taxes	199,893	
Income Taxes	173,571	
Intergovernmental Revenues	554,585	928,049
The net pension asset, net pension liability, and net OPEB liability are not due and payable in the current period: therefore, the asset, liabilities, and related deferred inflows/outflows are not reported in governmental funds:		
Net Pension Asset	11,170	
Deferred Outflows - Pension	387,343	
Deferred Inflows - Pension	(390,321)	
Net Pension Liability	(2,166,230)	
Deferred Outflows - OPEB	236,199	
Deferred Inflows - OPEB	(199,765)	
Net OPEB Liability	(790,577)	(2,912,181)
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	(701,841)	
Accrued Interest Payable	(14,170)	
Compensated Absences	(126,780)	(842,791)
 Net Position of Governmental Activities		 <b>\$7,551,128</b>

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, 2020*

	General	Fire Levy	Coronavirus CARES Act	Permanent Investment	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property Taxes	\$169,181	\$262,176	\$0	\$0	\$172,796	\$604,153
Income Taxes	1,325,718	0	0	0	0	1,325,718
Permissive Motor Vehicle License Tax	0	0	0	0	75,298	75,298
Intergovernmental	145,336	145,471	508,091	0	816,471	1,615,369
Charges for Services	17,784	159,959	0	0	10,636	188,379
Fines and Forfeitures	46,894	0	0	0	514	47,408
Licenses and Permits	21,084	0	0	0	0	21,084
Investment Earnings	85,167	0	0	0	8,704	93,871
Rent	73,116	0	0	0	16,500	89,616
Contributions and Donations	27,960	63,656	0	0	0	91,616
Miscellaneous	195,021	51,806	0	0	44,501	291,328
<i>Total Revenues</i>	<u>2,107,261</u>	<u>683,068</u>	<u>508,091</u>	<u>0</u>	<u>1,145,420</u>	<u>4,443,840</u>
<b>Expenditures</b>						
Current:						
General Government	735,016	0	94,347	0	112,377	941,740
Security of Persons and Property:						
Police	925,942	0	104,875	0	81,077	1,111,894
Fire	0	494,186	70,351	0	0	564,537
Transportation	0	0	19,402	0	513,519	532,921
Public Health Services	0	0	28,431	0	67,533	95,964
Leisure Time Services	0	0	0	0	408	408
Community Environment	0	0	0	0	213,612	213,612
Basic Utility Services	0	0	131,297	0	0	131,297
Intergovernmental	0	0	59,388	0	0	59,388
Debt Service:						
Principal Retirement	0	3,565	0	0	56,024	59,589
Interest and Fiscal Charges	0	2,745	0	0	21,949	24,694
<i>Total Expenditures</i>	<u>1,660,958</u>	<u>500,496</u>	<u>508,091</u>	<u>0</u>	<u>1,066,499</u>	<u>3,736,044</u>
<i>Excess of Revenues Over Expenditures</i>	<u>446,303</u>	<u>182,572</u>	<u>0</u>	<u>0</u>	<u>78,921</u>	<u>707,796</u>
<b>Other Financing Sources (Uses)</b>						
Transfers In	0	25,000	0	0	0	25,000
Proceeds of Loans	0	88,000	0	0	0	88,000
Transfers Out	(25,000)	0	0	0	0	(25,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(25,000)</u>	<u>113,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>88,000</u>
<i>Net Change in Fund Balance</i>	421,303	295,572	0	0	78,921	795,796
<i>Fund Balances Beginning of Year</i>	<u>1,218,193</u>	<u>28,415</u>	<u>0</u>	<u>2,433,835</u>	<u>1,599,450</u>	<u>5,279,893</u>
<i>Fund Balances End of Year</i>	<u>\$1,639,496</u>	<u>\$323,987</u>	<u>\$0</u>	<u>\$2,433,835</u>	<u>\$1,678,371</u>	<u>\$6,075,689</u>

See accompanying notes to the basic financial statements



**City of Wellston, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2020*

**Net Change in Fund Balances - Total Governmental Funds** \$795,796

*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 capital asset additions exceeded depreciation in the current period:

Capital Asset Additions	475,573	
Depreciation	<u>(301,458)</u>	174,115

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

Delinquent Property Taxes	25,659	
Intergovernmental Revenues	347,472	
Income Tax	<u>3,951</u>	377,082

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

59,589

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

1,300

Loan Proceeds are other financing sources in the governmental funds, but  
the issuance increases long-term liabilities in the statement of net position:

Proceeds of USDA Air Pack Loan		(88,000)
--------------------------------	--	----------

Compensated absences reported in the statement of activities do  
not require the use of current financial resources and therefore  
are not reported as expenditures in governmental funds.

(27,746)

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

Pension	208,429	
OPEB	<u>3,664</u>	212,093

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

Pension	(349,966)	
OPEB	<u>(108,790)</u>	<u>(458,756)</u>

*Change in Net Position of Governmental Activities*

\$1,045,473

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, 2020*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property Taxes	\$167,000	\$167,000	\$169,181	\$2,181
Income Taxes	1,200,000	1,200,000	1,301,586	101,586
Intergovernmental	118,111	118,111	147,051	28,940
Charges for Services	11,300	11,300	17,751	6,451
Fines and Forfeitures	33,350	33,350	43,866	10,516
Licenses and Permits	19,500	19,500	21,084	1,584
Investment Earnings	88,700	88,700	85,477	(3,223)
Rent	73,100	73,100	73,116	16
Contributions and Donations	0	1,500	27,960	26,460
Miscellaneous	43,000	43,000	193,521	150,521
<i>Total Revenues</i>	<u>1,754,061</u>	<u>1,755,561</u>	<u>2,080,593</u>	<u>325,032</u>
<b>Expenditures</b>				
Current:				
General Government	792,102	881,085	838,488	42,597
Security of Persons and Property:				
Police	1,099,359	1,100,859	989,546	111,313
<i>Total Expenditures</i>	<u>1,891,461</u>	<u>1,981,944</u>	<u>1,828,034</u>	<u>153,910</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(137,400)</u>	<u>(226,383)</u>	<u>252,559</u>	<u>478,942</u>
<b>Other Financing Sources (Uses)</b>				
Advance In	0	0	125,000	125,000
Advance Out	0	(125,000)	(125,000)	0
Transfers Out	(25,000)	(25,000)	(25,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(25,000)</u>	<u>(150,000)</u>	<u>(25,000)</u>	<u>125,000</u>
<i>Net Change in Fund Balance</i>	(162,400)	(376,383)	227,559	603,942
<i>Fund Balance Beginning of Year</i>	1,026,377	1,026,377	1,026,377	0
<i>Prior Year Encumbrances Appropriated</i>	41,554	41,554	41,554	0
<i>Fund Balance End of Year</i>	<u>\$905,531</u>	<u>\$691,548</u>	<u>\$1,295,490</u>	<u>\$603,942</u>

See accompanying notes to the basic financial statements

**City of Wellston, Ohio**  
*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (Budget Basis)  
Fire Levy Fund  
For the Year Ended December 31, 2020*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$256,800	\$256,800	\$262,176	\$5,376
Intergovernmental	31,350	145,645	141,121	(4,524)
Charges for Services	136,300	136,300	159,959	23,659
Contributions and Donations	0	0	63,656	63,656
Miscellaneous	0	0	50,401	50,401
<i>Total Revenues</i>	<u>424,450</u>	<u>538,745</u>	<u>677,313</u>	<u>138,568</u>
<b>Expenditures</b>				
Current:				
Security of Persons and Property:				
Fire	446,570	665,865	688,632	(22,767)
Debt Service:				
Principal Retirement	3,565	3,565	3,565	0
Interest and Fiscal Charges	2,745	2,745	2,745	0
<i>Total Expenditures</i>	<u>452,880</u>	<u>672,175</u>	<u>694,942</u>	<u>(22,767)</u>
<i>Excess of Revenues Under Expenditures</i>	(28,430)	(133,430)	(17,629)	115,801
<b>Other Financing Sources (Uses)</b>				
Transfers In	25,000	25,000	25,000	0
Advances In	0	0	125,000	125,000
Advance Out	0	0	(125,000)	(125,000)
Proceeds of Loans	0	88,000	88,000	0
<i>Total Other Financing Sources (Uses)</i>	<u>25,000</u>	<u>113,000</u>	<u>113,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(3,430)	(20,430)	95,371	115,801
<i>Fund Balance Beginning of Year</i>	24,008	24,008	24,008	0
<i>Prior Year Encumbrances Appropriated</i>	<u>7,063</u>	<u>7,063</u>	<u>7,063</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$27,641</u></u>	<u><u>\$10,641</u></u>	<u><u>\$126,442</u></u>	<u><u>\$115,801</u></u>

See accompanying notes to the basic financial statements

**City of Wellston, Ohio**  
*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (Budget Basis)  
Coronavirus CARES Act Fund  
For the Year Ended December 31, 2020*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	<u>\$508,091</u>	<u>\$508,091</u>	<u>\$508,091</u>	<u>\$0</u>
<b>Expenditures</b>				
Current:				
General Government	94,347	94,347	94,347	0
Security of Persons and Property:				
Police	104,875	104,875	104,875	0
Fire	70,351	70,351	70,351	0
Transportation	19,402	19,402	19,402	0
Public Health Services	28,431	28,431	28,431	0
Basic Utilities	131,297	131,297	131,297	0
Intergovernmental	<u>59,388</u>	<u>59,388</u>	<u>59,388</u>	<u>0</u>
<i>Total Expenditures</i>	<u>508,091</u>	<u>508,091</u>	<u>508,091</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	0	0	0	0
<i>Fund Balance Beginning of Year</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

**City of Wellston, Ohio**  
*Statement of Fund Net Position*  
*Enterprise Funds*  
*December 31, 2020*

	Water	Sewer	Garbage	Total Enterprise Funds
<b>Assets</b>				
Current:				
Equity in Pooled Cash and Cash Equivalents	\$1,839,756	\$2,091,767	\$196,114	\$4,127,637
Accounts Receivable	285,872	268,483	85,055	639,410
Intergovernmental Receivable	0	0	78	78
Prepaid Items	9,805	8,388	3,724	21,917
Materials and Supplies Inventory	38,334	4,972	0	43,306
Restricted Assets:				
Customer Deposits:				
Equity in Pooled Cash and Cash Equivalents	288,346	0	0	288,346
<i>Total Current Assets</i>	<u>2,462,113</u>	<u>2,373,610</u>	<u>284,971</u>	<u>5,120,694</u>
Noncurrent:				
Net Pension Asset	9,495	5,306	1,955	16,756
Non-Depreciable Capital Assets	795,801	218,800	0	1,014,601
Depreciable Capital Assets, Net	5,716,921	4,957,916	212,604	10,887,441
<i>Total Noncurrent Assets</i>	<u>6,522,217</u>	<u>5,182,022</u>	<u>214,559</u>	<u>11,918,798</u>
<i>Total Assets</i>	<u>8,984,330</u>	<u>7,555,632</u>	<u>499,530</u>	<u>17,039,492</u>
<b>Deferred Outflows of Resources</b>				
Pension	130,829	69,859	27,303	227,991
OPEB	90,470	46,916	18,359	155,745
Asset Retirement Obligation	0	84,038	0	84,038
<i>Total Deferred Outflows of Resources</i>	<u>221,299</u>	<u>200,813</u>	<u>45,662</u>	<u>467,774</u>
<b>Liabilities</b>				
Current:				
Accounts Payable	163,855	25,664	19,222	208,741
Contracts Payable	10,059	937	0	10,996
Accrued Wages Payable	6,706	4,579	1,782	13,067
Intergovernmental Payable	12,514	5,567	2,111	20,192
Accrued Interest Payable	10,842	11,659	0	22,501
OPWC Loans Payable	3,763	1,516	0	5,279
OWDA Loans Payable	33,826	0	0	33,826
Loans Payable	31,609	90,601	0	122,210
Compensated Absences Payable	72,356	12,206	3,725	88,287
Customer Deposits Payable for Restricted Assets	288,346	0	0	288,346
<i>Total Current Liabilities</i>	<u>633,876</u>	<u>152,729</u>	<u>26,840</u>	<u>813,445</u>
Long-Term:				
OPWC Loans Payable	35,748	0	0	35,748
OWDA Loans Payable	1,275,539	0	0	1,275,539
Loans Payable	260,928	1,527,539	0	1,788,467
Compensated Absences Payable	23,472	11,033	1,582	36,087
Asset Retirement Obligation	0	166,000	0	166,000
Net Pension Liability	733,121	409,685	150,937	1,293,743
Net OPEB Liability	509,500	284,720	104,897	899,117
<i>Total Long-Term Liabilities</i>	<u>2,838,308</u>	<u>2,398,977</u>	<u>257,416</u>	<u>5,494,701</u>
<i>Total Liabilities</i>	<u>3,472,184</u>	<u>2,551,706</u>	<u>284,256</u>	<u>6,308,146</u>
<b>Deferred Inflows of Resources</b>				
Pension	165,814	101,189	32,763	299,766
OPEB	78,896	49,563	15,303	143,762
<i>Total Deferred Inflows of Resources</i>	<u>244,710</u>	<u>150,752</u>	<u>48,066</u>	<u>443,528</u>
<b>Net Position</b>				
Net Investment in Capital Assets	4,865,635	3,557,060	212,604	8,635,299
Unrestricted	623,100	1,496,927	266	2,120,293
<i>Total Net Position</i>	<u>\$5,488,735</u>	<u>\$5,053,987</u>	<u>\$212,870</u>	<u>\$10,755,592</u>

See accompanying notes to the basic financial statements

**City of Wellston, Ohio**  
*Statement of Revenues, Expenses and Changes in Fund Net Position*  
*Enterprise Funds*  
*For the Year Ended December 31, 2020*

	Water	Sewer	Garbage	Total Enterprise Funds
<b>Operating Revenues</b>				
Charges for Services	\$1,731,591	\$1,412,219	\$390,943	\$3,534,753
Miscellaneous	192,159	84,165	32,969	309,293
<i>Total Operating Revenues</i>	<u>1,923,750</u>	<u>1,496,384</u>	<u>423,912</u>	<u>3,844,046</u>
<b>Operating Expenses</b>				
Personal Services	555,677	316,222	122,546	994,445
Fringe Benefits	340,533	174,787	86,887	602,207
Contractual Services	284,477	222,821	124,130	631,428
Materials and Supplies	370,451	199,833	36,720	607,004
Depreciation	220,812	149,402	36,122	406,336
<i>Total Operating Expenses</i>	<u>1,771,950</u>	<u>1,063,065</u>	<u>406,405</u>	<u>3,241,420</u>
<i>Operating Income</i>	151,800	433,319	17,507	602,626
<b>Non-Operating Expenses</b>				
Interest and Fiscal Charges	(31,373)	(62,437)	0	(93,810)
<i>Change in Net Position</i>	120,427	370,882	17,507	508,816
<i>Net Position Beginning of Year (Restated - See Note 3)</i>	<u>5,368,308</u>	<u>4,683,105</u>	<u>195,363</u>	<u>10,246,776</u>
<i>Net Position End of Year</i>	<u>\$5,488,735</u>	<u>\$5,053,987</u>	<u>\$212,870</u>	<u>\$10,755,592</u>

See accompanying notes to the basic financial statements

**City of Wellston, Ohio**  
**Statement of Cash Flows**  
**Enterprise Funds**  
**For the Year Ended December 31, 2020**

	Water	Sewer	Garbage	Total Enterprise Funds
<b>Increase (Decrease) in Cash and Cash Equivalents</b>				
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$1,767,959	\$1,399,046	\$372,153	\$3,539,158
Cash Payments for Employee Services and Benefits	(793,580)	(470,915)	(196,191)	(1,460,686)
Cash Payments for Goods and Services	(583,705)	(430,004)	(148,964)	(1,162,673)
Utility Deposits Received	41,800	0	0	41,800
Utility Deposits Returned	(25,571)	0	0	(25,571)
Other Operating Revenues	192,142	84,165	32,891	309,198
<i>Net Cash Provided by Operating Activities</i>	<u>599,045</u>	<u>582,292</u>	<u>59,889</u>	<u>1,241,226</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Proceeds from Refunding Loans	0	1,545,000	0	1,545,000
Proceeds from OWDA Loans	67,202	0	0	67,202
Payments for Capital Acquisitions	(333,841)	(74,853)	0	(408,694)
Current Refunding of General Obligation Bonds	0	(441,000)	0	(441,000)
Current Refunding of Revenue Bonds	0	(1,106,000)	0	(1,106,000)
Principal Paid on OPWC Loans	(1,882)	(1,516)	0	(3,398)
Principal Paid on OWDA Loans	(52,652)	0	0	(52,652)
Principal Paid on Other Loans	(30,321)	(7,581)	0	(37,902)
Interest Paid on General Obligation Bonds	0	(20,578)	0	(20,578)
Interest Paid on Revenue Bonds	0	(53,191)	0	(53,191)
Interest Paid on OWDA Loans	(20,196)	0	0	(20,196)
Interest Paid on Other Loans	(13,359)	(3,340)	0	(16,699)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(385,049)</u>	<u>(163,059)</u>	<u>0</u>	<u>(548,108)</u>
<i>Net Increase in Cash and Cash Equivalents</i>	213,996	419,233	59,889	693,118
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,914,106</u>	<u>1,672,534</u>	<u>136,225</u>	<u>3,722,865</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$2,128,102</u>	<u>\$2,091,767</u>	<u>\$196,114</u>	<u>\$4,415,983</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>				
Operating Income	\$151,800	\$433,319	\$17,507	\$602,626
Adjustments:				
Depreciation	220,812	149,402	36,122	406,336
(Increase) Decrease in Assets and Deferred Outflows of Resources:				
Accounts Receivable	36,351	(13,173)	(18,868)	4,310
Prepaid Items	3,573	3,932	454	7,959
Materials and Supplies Inventory	(2,770)	(762)	0	(3,532)
Net Pension Asset	(1,381)	(774)	(284)	(2,439)
Deferred Outflows - Pension	174,560	91,337	35,207	301,104
Deferred Outflows - OPEB	81,181	41,261	16,243	138,685
Deferred Outflows - Asset Retirement Obligations	0	2,954	0	2,954
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:				
Accounts Payable	66,743	(5,279)	11,886	73,350
Accrued Wages Payable	(19,425)	(9,839)	(3,646)	(32,910)
Contracts Payable	4,385	937	0	5,322
Intergovernmental Payable	4,383	(4,266)	431	548
Customer Deposits Payable	16,229	0	0	16,229
Compensated Absences Payable	20,584	(1,182)	1,000	20,402
Net Pension Liability	16,608	9,282	3,421	29,311
Net OPEB Liability	31,004	17,326	6,383	54,713
Deferred Inflows - Pension	(146,160)	(92,641)	(32,360)	(271,161)
Deferred Inflows - OPEB	(59,432)	(39,542)	(13,607)	(112,581)
<i>Net Cash Provided by Operating Activities</i>	<u>\$599,045</u>	<u>\$582,292</u>	<u>\$59,889</u>	<u>\$1,241,226</u>

**Noncash Transactions:**

At December 31, 2019, the City had contracts payable related to the purchase of capital assets of \$50,819 in the Water Enterprise Fund. At December 31, 2020, the City had contracts payable related to the purchase of capital assets of \$5,674 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, 2020*

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

See accompanying notes to the basic financial statements



**City of Wellston, Ohio**  
*Statement of Changes in Fiduciary Net Position*  
*Custodial Funds*  
*December 31, 2020*

	Custodial Funds
<b>Total Additions</b>	\$0
<b>Total Deductions</b>	0
<i>Change in Fiduciary Net Position</i>	0
<i>Net Position at Beginning of Year</i>	24,196
<i>Net Position at End of Year</i>	\$24,196

See accompanying notes to the basic financial statements

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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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.

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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Government-wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the City's major governmental funds:

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

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

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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Coronavirus CARES Act Fund - The Coronavirus CARES Act Fund is used to account for COVID-19 pandemic aid from Federal CARES Act Grants.

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

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

Proprietary Funds

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

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

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

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

Fiduciary Funds

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

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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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.

#### 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.

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension, OPEB, and asset retirement obligations. 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 plans 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 position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2020, but which were levied to finance 2021 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. 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.

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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

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

**F. Cash and Cash Equivalents**

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

During 2020, investments were limited to certificates of deposit, which are reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the General Fund during 2020 amounted to \$85,167, which includes \$72,369 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 enterprise funds represent water customer deposits. Unclaimed monies that are required to be held for five years before they may be utilized by the City are reported as restricted.

**I. Inventory**

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

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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**J. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2020, 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 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, certain land improvements, 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

**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.



**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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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 11.76 years of service.

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

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

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

Long-term liabilities are being repaid from the following funds:

Obligation	Fund
Compensated Absences	The fund from which the employee's salary is paid
Pension and OPEB	The fund from which the employee's salary is paid
Vehicle Loans	General Fund, Fire Levy Fund, Sales Tax Fund
Fire Department Renovation Loan	Fire Fund
Fire Airpack Loan	Fire Fund
Revenue Bonds	Sewer Fund
OWDA Loans	Water Fund
OPWC Loans	Water Fund and Sewer Fund
General Obligation Bonds	Sewer Fund
Flex Net Loan	Water Fund and Sewer Fund
Sewer Refinance Loan	Sewer Fund

**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.

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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**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 2021'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.

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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O. Net Position

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

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

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. 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.

S. Operating Revenues and Expenses

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

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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**T. 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. The City had no extraordinary or special items.

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION**

For 2020, the City implemented the Governmental Accounting Standard Board's (GASB) Statement No. 83, Certain Asset Retirement Obligations. GASB Statement 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The implementation of GASB Statement No. 83 had the following effect on net position as of December 31, 2019:

	Business - Type Activities
Net Position December 31, 2019	\$10,325,784
Adjustments:	
Due in More than One Year: Other Amounts	(166,000)
Deferred Outflow - Asset Retirement Obligation	86,992
Restated Net Position December 31, 2019	\$10,246,776

	Water	Proprietary Funds		Total
		Sewer	Garbage	
Net Position December 31, 2019	\$5,368,308	\$4,762,113	\$195,363	\$10,325,784
Adjustments:				
Asset Retirement Obligation - Liability	0	(166,000)	0	(166,000)
Deferred Outflow - Asset Retirement Obligation	0	86,992	0	86,992
Restated Net Position December 31, 2019	\$5,368,308	\$4,683,105	\$195,363	\$10,246,776

**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).

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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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
GAAP Basis	\$421,303	\$295,572
Net Adjustment for Revenue Accruals	(28,192)	(1,405)
Net Adjustment for Expenditure Accruals	(44,961)	(3,989)
Beginning of Year:		
Unreported Cash	5,369	0
Prepaid Items	27,648	15,572
End of Year:		
Unreported Cash	(3,845)	(4,350)
Prepaid Items	(22,015)	(4,268)
Encumbrances	(127,748)	(201,761)
Budget Basis	\$227,559	\$95,371

**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.

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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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. The State Treasurer's investment pool (STAR Ohio);
7. 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
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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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 \$10,918 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 2020 for real and public utility property taxes represents collections of 2019 taxes.

2020 real property taxes are levied after October 1, 2020, on the assessed value as of January 1, 2020, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2020 real property taxes are collected in and intended to finance 2021.

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. 2020 public utility property taxes which became a lien December 31, 2020, are levied after October 1, 2020, and are collected in 2021 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2020, was \$10.80 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2020 property tax receipts were based are as follows:

Real Property	\$60,044,490
Public Utility Real Property	37,810
Public Utility Personal Property	<u>6,164,940</u>
Total	<u>\$66,247,240</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property and public utility taxes and outstanding delinquencies which are measurable as of December 31, 2020, and for which there is an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2020 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.

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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**NOTE 7 – TAX ABATEMENTS**

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

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, 2020.

Tax Abatement Program	Amount of 2020 Taxes Abated
<i>Enterprise Zone Tax Exemptions</i>	
General Mills Warehouse Space	\$94,033

**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 2020, 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, 2020, consisted of property and income taxes; Permissive MVL; accrued interest; loans; interfund receivables; intergovernmental receivables arising from grants, entitlements, and shared revenues; and utility accounts. All receivables are considered fully collectible. Delinquent utility accounts receivable (billings for user charged services) are certified and collected as special assessments, subject to foreclosure for nonpayment. The financial statements reflect loans receivable of \$157,833 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 the revolving loans and delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$199,893.



**City of Wellston, Ohio**  
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A summary of intergovernmental receivables follows:

<u>Governmental Activities:</u>	
CBDG Grant	\$300,000
Gasoline Tax	133,090
Railroad Depot Grant	118,663
Sales Tax	94,867
Local Government Subsidies	54,758
Homestead and Rollback	32,859
Motor Vehicle License Tax	28,516
Fire Training	8,150
Miscellaneous	3,743
Total Governmental Activities	\$774,646
<u>Business-Type Activities:</u>	
Miscellaneous	78
Total Intergovernmental Receivable	\$774,724

**NOTE 10 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2020, was as follows:

	Balance 12/31/2019	Additions	Reductions	Balance 12/31/2020
<b><u>Governmental Activities:</u></b>				
Non-Depreciable Capital Assets:				
Land	\$472,380	\$26,460	\$0	\$498,840
Construction in Progress	24,544	159,396	0	183,940
Total Non-Depreciable Capital Assets	496,924	185,856	0	682,780
Depreciable Capital Assets:				
Improvements Other than Buildings	380,277	0	0	380,277
Buildings and Improvements	1,690,551	66,002	0	1,756,553
Equipment	441,662	127,710	0	569,372
Infrastructure	2,217,104	0	0	2,217,104
Vehicles	1,918,301	96,005	0	2,014,306
Total Depreciable Capital Assets	6,647,895	289,717	0	6,937,612
Accumulated Depreciation:				
Improvements Other than Buildings	217,665	26,237	0	243,902
Buildings and Improvements	548,884	39,466	0	588,350
Equipment	296,497	24,750	0	321,247
Infrastructure	821,914	100,282	0	922,196
Vehicles	1,131,612	110,723	0	1,242,335
Total Accumulated Depreciation	3,016,572	301,458 *	0	3,318,030
Total Depreciable Capital Assets, Net	3,631,323	(11,741)	0	3,619,582
Governmental Activities Capital Assets, Net	\$4,128,247	\$174,115	\$0	\$4,302,362

\*Depreciation expense was charged to governmental activities as follows:

**City of Wellston, Ohio**  
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**Governmental Activities:**

General Government	\$5,993
Security of Persons and Property- Police	18,378
Security of Persons and Property- Fire	76,405
Transportation	137,536
Leisure Time Activities	38,633
Community Environment	24,513
Total Depreciation Expense	<u><u>\$301,458</u></u>

	Balance 12/31/2019	Additions	Reductions	Balance 12/31/2020
<b><u>Business - Type Activities:</u></b>				
Non-Depreciable Capital Assets:				
Land	\$263,500	\$0	\$0	\$263,500
Construction in Progress	690,114	60,987	0	751,101
Total Non-Depreciable Capital Assets	<u>953,614</u>	<u>60,987</u>	<u>0</u>	<u>1,014,601</u>
Depreciable Capital Assets:				
Other Than Buildings	63,848	0	0	63,848
Buildings and Improvements	5,752,465	26,191	0	5,778,656
Equipment	1,494,851	201,925	0	1,696,776
Infrastructure	12,239,996	74,446	0	12,314,442
Vehicles	1,099,575	0	0	1,099,575
Total Depreciable Capital Assets	<u>20,650,735</u>	<u>302,562</u>	<u>0</u>	<u>20,953,297</u>
Accumulated Depreciation:				
Land Improvements	60,995	1,141	0	62,136
Buildings and Improvements	3,201,391	124,524	0	3,325,915
Equipment	1,303,853	42,720	0	1,346,573
Infrastructure	4,438,620	168,678	0	4,607,298
Vehicles	654,661	69,273	0	723,934
Total Accumulated Depreciation	<u>9,659,520</u>	<u>406,336</u>	<u>0</u>	<u>10,065,856</u>
Total Depreciable Capital Assets, Net	<u>10,991,215</u>	<u>(103,774)</u>	<u>0</u>	<u>10,887,441</u>
Business - Type Activities Capital Assets, Net	<u><u>\$11,944,829</u></u>	<u><u>(\$42,787)</u></u>	<u><u>\$0</u></u>	<u><u>\$11,902,042</u></u>

**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***

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

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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) calculation is 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* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

***Plan Description – 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 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.

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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 Comprehensive Annual Financial Report referenced above for additional information, including requirements for reduced and unreduced benefits):

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Traditional Plan Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Traditional Plan Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Traditional Plan Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	<b>Combined Plan Formula:</b> 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 initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

When a traditional plan benefit recipient has received benefits for 12 months, current law provides 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 subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be 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

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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), 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.

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

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

	State and Local
<b>2020 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee *	10.0 %
<b>2020 Actual Contribution Rates</b>	
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 2020, The City's contractually required contribution was \$225,436 for the traditional plan and \$6,382 for the member-directed plan. Of these amounts, \$19,954 is reported as an intergovernmental payable for the traditional plan.

***Plan Description – Ohio Police & Fire Pension Fund (OP&F)***

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

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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 Comprehensive Annual 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, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index over the 12 month period ending on September 30<sup>th</sup> of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013, is equal to 3 percent of their base pension or disability benefit.

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

	Police	Firefighters
<b>2020 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
<b>2020 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$118,255 for 2020. Of this amount, \$10,278 is reported as an intergovernmental payable.

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***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, 2019, 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, 2019, and was determined by rolling forward the total pension liability as of January 1, 2019, to December 31, 2019. 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:

	OPERS <u>Traditional Plan</u>	OPERS <u>Combined Plan</u>	<u>OP&amp;F</u>	
Proportion of the Net Pension Liability/Asset:				
Current Measurement Date	0.0109090%	0.0133920%	0.0193532%	
Prior Measurement Date	<u>0.0107450%</u>	<u>0.0129230%</u>	<u>0.0199500%</u>	
Change in Proportionate Share	<u>0.0001640%</u>	<u>0.0004690%</u>	<u>-0.0005968%</u>	<u>Total</u>
Proportionate Share of the:				
Net Pension Liability	\$2,156,238	\$0	\$1,303,735	\$3,459,973
Net Pension Asset	0	27,926	0	27,926
Pension Expense	384,085	3,207	154,751	542,043

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

	OPERS <u>Traditional Plan</u>	OPERS <u>Combined Plan</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>				
Differences between expected and actual experience	\$0	\$0	\$49,351	\$49,351
Changes of assumptions	115,168	2,880	32,003	150,051
Changes in proportion and differences between City contributions and proportionate share of contributions	44,984	800	7,292	53,076
City contributions subsequent to the measurement date	<u>225,436</u>	<u>0</u>	<u>118,255</u>	<u>343,691</u>
Total Deferred Outflows of Resources	<u>\$385,588</u>	<u>\$3,680</u>	<u>\$206,901</u>	<u>\$596,169</u>
<b>Deferred Inflows of Resources</b>				
Differences between expected and actual experience	\$27,263	\$6,556	\$67,239	\$101,058
Net difference between projected and actual earnings on pension plan investments	430,121	3,622	62,981	496,724
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>0</u>	<u>480</u>	<u>72,660</u>	<u>73,140</u>
Total Deferred Inflows of Resources	<u>\$457,384</u>	<u>\$10,658</u>	<u>\$202,880</u>	<u>\$670,922</u>

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\$343,691 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 or increase to the net pension asset in 2021. 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:				
2021	(\$13,061)	(\$1,722)	(\$25,555)	(\$40,338)
2022	(131,196)	(1,653)	(19,612)	(152,461)
2023	17,811	(644)	6,782	23,949
2024	(170,786)	(1,969)	(67,292)	(240,047)
2025	0	(322)	(8,557)	(8,879)
Thereafter	0	(668)	0	(668)
Total	<u>(\$297,232)</u>	<u>(\$6,978)</u>	<u>(\$114,234)</u>	<u>(\$418,444)</u>

***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, 2019, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2019, 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 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	1.4 percent, simple through 2020, then 2.15 percent, simple	1.4 percent, simple through 2020, then 2.15 percent, simple
Investment Rate of Return	7.2 percent	7.2 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

In October 2019, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 3 percent simple through 2018 then 2.15 simple to 1.4 percent simple through 2020 the 2.15 percent simple.



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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, 2015.

During 2019, 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 17.2 percent for 2019.

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 arithmetic real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	25.00 %	1.83 %
Domestic Equities	19.00	5.75
Real Estate	10.00	5.20
Private Equity	12.00	10.70
International Equities	21.00	7.66
Other investments	13.00	4.98
Total	<u>100.00 %</u>	<u>5.61 %</u>

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**Discount Rate** The discount rate used to measure the total pension liability was 7.2 percent for the traditional plan and the combined plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the traditional pension plan, combined plan and member-directed plan was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability (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 7.2 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 (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
<b>City's proportionate share of the net pension liability (asset)</b>			
OPERS Traditional Plan	\$3,556,334	\$2,156,238	\$897,593
OPERS Combined Plan	(16,874)	(27,926)	(35,891)

**Actuarial Assumptions – OP&F**

OP&F's total pension liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, 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 were: 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, 2019, are presented below.

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Valuation Date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 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	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent

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.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
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.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
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, 2019, are summarized below:

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	- %	1.00 %
Domestic Equity	16.00	5.40
Non-US Equity	16.00	5.80
Private Markets	8.00	8.00
Core Fixed Income *	23.00	2.70
High Yield Fixed Income	7.00	4.70
Private Credit	5.00	5.50
U.S. Inflation Linked Bonds*	17.00	2.50
Master Limited Partnerships	8.00	6.60
Real Assets	8.00	7.40
Private Real Estate	12.00	6.40
<b>Total</b>	<b>120.00 %</b>	

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 1.2 times due to the application of leverage in certain fixed income asset classes.

**Discount Rate** The total pension liability was calculated using the discount rate of 8.00 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 8.00 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 8.00 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 (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$1,806,931	\$1,303,735	\$882,861

**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 postemployment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This 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.

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, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. 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 Comprehensive Annual 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 2020, 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.

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Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2020, 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 2020 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 \$1,823 for 2020. Of this amount, \$161 is reported as an intergovernmental payable.

***Plan Description – 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.

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. 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.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2020, 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 \$2,935 for 2020. Of this amount, \$257 is reported as an intergovernmental payable.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019, 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, 2019, and was determined by rolling forward the total OPEB liability as of January 1, 2019, to December 31, 2019. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&amp;F</u>	
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.0108490%	0.0193532%	
Prior Measurement Date	<u>0.0107450%</u>	<u>0.0199500%</u>	
Change in Proportionate Share	<u>0.0001040%</u>	<u>-0.0005968%</u>	<u>Total</u>
Proportionate Share of the Net			
OPEB Liability	\$1,498,528	\$191,166	\$1,689,694
OPEB Expense	180,108	10,593	190,701

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	OPERS	OP&F	Total
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$40	\$0	\$40
Changes of assumptions	237,201	111,763	348,964
Changes in proportion and differences between City contributions and proportionate share of contributions	23,210	0	23,210
City contributions subsequent to the measurement date	1,823	2,935	4,758
<b>Total Deferred Outflows of Resources</b>	<b>\$262,274</b>	<b>\$114,698</b>	<b>\$376,972</b>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$137,048	\$20,558	\$157,606
Changes of assumptions	0	40,741	40,741
Net difference between projected and actual earnings on OPEB plan investments	76,305	8,797	85,102
Changes in proportion and differences between City contributions and proportionate share of contributions	779	44,327	45,106
<b>Total Deferred Inflows of Resources</b>	<b>\$214,132</b>	<b>\$114,423</b>	<b>\$328,555</b>

\$4,758 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2021. 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:			
2021	\$57,202	(\$1,571)	\$55,631
2022	21,664	(1,571)	20,093
2023	58	233	291
2024	(32,605)	(2,612)	(35,217)
2025	0	(328)	(328)
Thereafter	0	3,189	3,189
<b>Total</b>	<b>\$46,319</b>	<b>(\$2,660)</b>	<b>\$43,659</b>

***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.



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Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.16 percent
Prior Measurement date	3.96 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate:	
Current measurement date	2.75 percent
Prior Measurement date	3.71 percent
Health Care Cost Trend Rate:	
Current measurement date	10.5 percent, initial 3.50 percent, ultimate in 2030
Prior Measurement date	10.0 percent, initial 3.25 percent, ultimate in 2029
Actuarial Cost Method	Individual Entry Age Normal

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, 2015.

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contribution are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 19.7 percent for 2019.

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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 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. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36.00 %	1.53 %
Domestic Equities	21.00	5.75
Real Estate Investment Trust	6.00	5.69
International Equities	23.00	7.66
Other investments	14.00	4.90
<b>Total</b>	<b>100.00 %</b>	<b>4.55 %</b>

**Discount Rate** A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. 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 2.75 percent. 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 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

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

The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.16 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 (2.16 percent) or one-percentage-point higher (4.16 percent) than the current rate:

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	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
City's proportionate share of the net OPEB liability	\$1,961,065	\$1,498,528	\$1,128,188

***Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate*** Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability 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 2020 is 10.50 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 that in the not-too-distant future, 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 liability	\$1,454,308	\$1,498,528	\$1,542,185

***Changes between Measurement Date and Reporting Date***

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-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 pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability.

***Actuarial Assumptions – OP&F***

OP&F's total OPEB liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

Valuation Date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent
Single discount rate:	
Current measurement date	3.56 percent
Prior measurement date	4.66 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

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.

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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 2019, the total OPEB liability was calculated using the discount rate of 3.56 percent. For 2018, the total OPEB liability was calculated using the discount rate of 4.66 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 8 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 2.75 percent at December 31, 2019 and 4.13 percent at December 31, 2018, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.56 percent for 2019 and 4.66 percent for 2018. 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 2034. The long-term expected rate of return on health care investments was applied to projected costs through 2034, 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 3.56 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 (2.56 percent), or one percentage point higher (4.56 percent) than the current rate.

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
City's proportionate share of the net OPEB liability	\$237,033	\$191,166	\$153,053

***Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate*** The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

**NOTE 13 - OTHER EMPLOYEE BENEFITS**

**A. Deferred Compensation Plans**

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

**B. Employee Insurance Benefits**

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

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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:

<u>Type of Coverage</u>	<u>Limit</u>	<u>Aggregate Limit</u>
General Liability	\$2,000,000 Per Occurrence	\$4,000,000
Public Officials Liability	2,000,000 Per Occurrence	4,000,000
Auto Liability	2,000,000 Per Occurrence	
Law Enforcement Professional Liability	2,000,000 Per Occurrence	4,000,000
Employee Dishonesty	50,000 Per Occurrence	
Property Damage	26,156,240	

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 2020, 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.

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**NOTE 15 - LONG-TERM OBLIGATIONS**

Changes in the City's long-term obligations during 2020 consist of the following:

	Restated Outstanding 12/31/2019	Additions	Reductions	Outstanding 12/31/2020	Amounts Due Within One Year
<b><u>Governmental Activities:</u></b>					
<b><u>Direct Borrowings</u></b>					
Fire Department Renovation- 3.38%	\$80,773	\$0	\$3,565	\$77,208	\$3,695
Fire Trucks Loan- 2014 - 3%	79,416	0	17,618	61,798	18,141
Fire Rescue Pumper-2018- \$565,500 - 3.75%	513,241	0	38,406	474,835	39,919
USDA Loan Air Packs 2.25%	0	88,000	0	88,000	8,000
Total Loans from Direct Borrowings	<u>673,430</u>	<u>88,000</u>	<u>59,589</u>	<u>701,841</u>	<u>69,755</u>
Net Pension Liability:					
OPERS	1,147,707	0	285,212	862,495	0
OP&F	1,628,447	0	324,712	1,303,735	0
Total Net Pension Liability	<u>2,776,154</u>	<u>0</u>	<u>609,924</u>	<u>2,166,230</u>	<u>0</u>
Net OPEB Liability:					
OPERS	546,349	53,062	0	599,411	0
OP&F	181,676	9,490	0	191,166	0
Total Net OPEB Liability	<u>728,025</u>	<u>62,552</u>	<u>0</u>	<u>790,577</u>	<u>0</u>
Compensated Absences Payable	99,034	27,746	0	126,780	67,984
Total Governmental Activities	<u>\$4,276,643</u>	<u>\$178,298</u>	<u>\$669,513</u>	<u>\$3,785,428</u>	<u>\$137,739</u>
<b><u>Business-Type Activities:</u></b>					
<b><u>Direct Borrowing Bonds</u></b>					
<b><u>General Obligation Bonds</u></b>					
Sewer Farmers Home Admin. 1993 - 5.00%	\$441,000	\$0	\$441,000	\$0	\$0
<b><u>Revenue Bonds</u></b>					
Sewer Farmers Home Admin. 1993 - 5.00%	1,106,000	0	1,106,000	0	0
Total Bonds from Direct Borrowings	<u>1,547,000</u>	<u>0</u>	<u>1,547,000</u>	<u>0</u>	<u>0</u>
<b><u>Direct Borrowing Loans</u></b>					
<b><u>OPWC Loans</u></b>					
South Water Sludge Basin - 2009 - 0.00%	41,393	0	1,882	39,511	3,763
Green Acres Sewer Line - 2000 - 0.00%	3,032	0	1,516	1,516	1,516
Total OPWC Loans Payable	<u>44,425</u>	<u>0</u>	<u>3,398</u>	<u>41,027</u>	<u>5,279</u>
<b><u>OWDA Loans</u></b>					
Water Fund - 2010 - 3.00%	55,849	0	2,725	53,124	2,724
North Water Treatment Plant - 2011 - 0%	294,560	0	13,092	281,468	13,093
Jenkins Water Tank Replacement - 2011 - 2%	359,751	0	12,800	346,951	13,063
Fresh Water Fund (Phase II) - 2013 - 2.79%	51,564	0	4,811	46,753	4,946
South Water Treatment Plant - 2017 - 1.63%	533,091	67,202	19,224	581,069	0
Total OWDA Loans Payable	<u>1,294,815</u>	<u>67,202</u>	<u>52,652</u>	<u>1,309,365</u>	<u>33,826</u>
<b><u>Other Loans</u></b>					
Flex Net Loan- 2018 - 4.070%	403,579	0	37,902	365,677	39,512
Sewer Refinance Loan- 2020 - 2.89%	0	1,545,000	0	1,545,000	82,698
Total Other Loans Payable	<u>403,579</u>	<u>1,545,000</u>	<u>37,902</u>	<u>1,910,677</u>	<u>122,210</u>
Total Loans from Direct Borrowings	<u>1,742,819</u>	<u>1,612,202</u>	<u>93,952</u>	<u>3,261,069</u>	<u>161,315</u>
Net Pension Liability- OPERS	1,795,131	0	501,388	1,293,743	0
Net OPEB Liability- OPERS	854,545	44,572	0	899,117	0
Compensated Absences Payable	103,972	20,402	0	124,374	88,287
Asset Retirement Obligation	166,000	0	0	166,000	0
Total Business-Type Activities	<u>\$6,209,467</u>	<u>\$1,677,176</u>	<u>\$2,142,340</u>	<u>\$5,744,303</u>	<u>\$249,602</u>

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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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, 2020, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$6,955,960 with an unvoted debt margin of \$2,853,598.

**Governmental Activities:**

In 2014, the City borrowed \$160,000 to purchase a fire truck. The loan matures in 2024 and will be paid mainly from the 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 2016, the City borrowed \$90,250 to renovate the fire department. The loan matures in 2026 and will be paid from the Fire 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 2018, the City borrowed \$565,500 to purchase a fire rescue pumper. This loan matures in 2030 and will be paid from the 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, 2020, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2021	\$69,755	\$24,397
2022	72,150	22,032
2023	74,519	19,590
2024	62,913	17,110
2025	59,277	14,874
2026-2030	363,227	35,280
	<u>\$701,841</u>	<u>\$133,283</u>



**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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**Business-Type Activities:**

***General Obligation Bonds***

In 1993, the City issued Farmers Home Administration General Obligation Bonds for the Sewer Fund in the amount of \$798,000, for improvements to the City's sewer system. The bonds mature in 2032 and will be repaid through user fees. These General Obligation Bonds are 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) for the account of the association incur and pay reasonable expense for repair maintenance and operation for the facility and such other reasonable expenses as may be necessary to cure the cause of default, (3) take possession of the facility, repair, maintain and operate or rent it. Principal and interest requirements were retired by the Sewer Refinance loan in 2020.

***Revenue Bonds***

The City issued \$2,000,000 in Sewer Fund Revenue Bonds in 1993 for improvements to the City's sewer system. The bonds will mature in 2032. Proceeds from these bonds provided financing for a sewer improvement projects. The Revenue Bonds are 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) for the account of the association incur and pay reasonable expense for repair maintenance and operation fo the facility and such other reasonable expenses as may be necessary to cure the cause of default, (3) take possession of the facility, repair, maintain and operate or rent it. Principal and interest requirements were retired by the Sewer Refinance loan in 2020.

***OPWC Loans***

The City's outstanding OPWC loans 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.

An OPWC loan was obtained in 2000 in the amount of \$60,640 for the rehabilitation of the Green Acres sewer line. Repayment will be made from user fees. The loan will be paid off in 2021.

Principal requirements to retire the City's OPWC loans outstanding at December 31, 2020 are:

<u>Year</u>	<u>Principal</u>
2021	\$5,279
2022	3,763
2023	3,763
2024	3,763
2025	3,763
2026-2030	18,815
2031	1,881
	<u>\$41,027</u>

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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***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.

An OWDA loan was obtained in 2017 for upgrades to the South Water Treatments Plant (South Water Treatment Plant). Repayment will be made from a loan forgiveness grant. 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, 2020, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2021	\$33,826	\$8,144
2022	34,223	7,793
2023	34,634	7,332
2024	35,054	6,912
2025	35,484	6,482
2026-2030	174,763	25,755
2031-2035	162,025	16,724
2036-2040	169,347	8,047
2041-2042	48,940	588
Total	<u>\$728,296</u>	<u>\$87,777</u>

***Other Loans***

In 2018, the City borrowed \$420,022 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.

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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Principal and interest requirements to retire the FlexNet loan outstanding at December 31, 2020, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2021	\$39,512	\$15,090
2022	41,142	13,459
2023	42,840	11,761
2024	44,580	1,021
2025	46,447	8,154
2026-2028	151,156	12,647
	<u>\$365,677</u>	<u>\$62,132</u>

In 2020, the City borrowed \$1,545,000 to refund 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.

The refunding resulted in the decrease in aggregate debt service payments by \$225,348 and to obtain an economic gain (difference between present values of the old and new debt service payments) of \$268,964.

Principal and interest requirements to retire the City’s Sewer Refinance loan outstanding at December 31, 2020, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2021	\$82,698	\$46,139
2022	85,989	42,847
2023	88,509	40,238
2024	91,102	37,734
2025	93,772	35,065
2026-2030	511,717	132,464
2031-2035	591,213	52,971
	<u>\$1,545,000</u>	<u>\$387,458</u>

***Pledged Revenues***

The City has pledged future customer water revenues, net of specified operating expenses, to repay five 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 \$816,073. Principal and interest payments for the current year were \$41,970, net revenues were \$372,612 and total revenues were \$1,923,750.

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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The City has pledged future customer sewer revenues, net of specified operating expenses, to repay \$2,000,000 in revenue bonds issued in 1993. The bonds are payable solely from customer net revenues and are payable through 2032. Net revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the bonds were retired in 2020.

**NOTE 16 - INTERFUND BALANCES**

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

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

	Deferred Outflows	Deferred Inflows
<b>Governmental Activities</b>		
Governmental Activities	\$5,578	\$95
<b>Business-Type Activities</b>		
Water	20,824	12,754
Sewer	5,659	21,044
Garbage	2,076	244
<i>Total Business-Type Activities</i>	28,559	34,042
<b>Total</b>	<b>\$34,137</b>	<b>\$34,137</b>

**B. Other Internal Balances**

Generally, transfers are used to move revenues from the fund that Statute or budget requires to collect them to the fund that Statute or budget requires to expend them; to move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; and to segregate money for anticipated capital projects. In 2020, the General Fund transferred \$25,000 to the Fire Levy Fund This transfer was used to move unrestricted revenue collected in the General Fund to finance this program accounted for in the other fund in accordance with budgetary authorizations.

**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.

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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**B. Federal and State Grants**

For the period January 1, 2020, to December 31, 2020, 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	\$127,748
Fire Levy Fund	201,761
Non-Major Governmental Funds	369,113
Water Fund	392,705
Sewer Fund	337,025
Garbage Fund	120
	<u>\$ 1,428,472</u>

**B. Contracted Commitments**

As of December 31, 2020, the City had contractual commitments as follows:

Project	Fund	Contract Amount	Amount Expended	Balance at 12/31/2020
Capital Projects				
SWTP Control Upgrade Engineering	Water	753,213	706,495	46,718
2020 Water System Improvement	Water	146,500	44,606	101,894
Railroad Depot Construction	Depot	183,940	183,940	0
Total Capital Projects		<u>1,083,653</u>	<u>935,041</u>	<u>148,612</u>

**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 2020, these costs are not yet available; however, they are not expected to be significantly different from 2019. For 2020, the City paid RITA \$24,826 for income tax collection services.

**City of Wellston, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2020*

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**NOTE 20 – ASSET RETIREMENT OBLIGATIONS**

Ohio Revised Code Section 6111.44 requires the City to submit any changes to their sewerage system to the Ohio EPA for approval. Through this review process, the City would be responsible to address any public safety issues associated with their waste water 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 was estimated by the City service director. The remaining useful life of these facilities range from 2 to 22 years.

**NOTE 21 – COMPLIANCE**

The Fire Levy Special Revenue Fund had expenditures in excess of appropriations for the fiscal year ended December 30, 2020 in the amount of \$22,767.

**NOTE 22 – 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. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City. 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. In addition, the impact on the City's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated. Additional funding will be available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

During 2020, the City received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Of the amounts received, \$59,388 was sub-granted to other governments and organizations. These amounts are reflected as general government, police, fire transportation, public health, intergovernmental, and basic utility expenditures in the Coronavirus Relief Special Revenue Fund on the accompanying financial statements.

## Required Supplementary Information

**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 Seven Years (1)*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
City's Proportion of the Net Pension Liability	0.0109090%	0.0107450%	0.0103120%
City's Proportionate Share of the Net Pension Liability	\$2,156,238	\$2,942,838	\$1,617,753
City's Covered Payroll	\$1,534,929	\$1,451,207	\$1,362,769
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	140.48%	202.79%	118.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	74.70%	84.66%

(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



2017	2016	2015	2014
0.0105210%	0.0097660%	0.0095470%	0.0095470%
\$2,389,141	\$1,691,594	\$1,151,471	\$1,125,465
\$1,165,808	\$1,041,908	\$1,170,417	\$857,338
204.93%	162.36%	98.38%	131.27%
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 Three Years(1)*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
City's Proportion of the Net Pension Asset	0.0133920%	0.0129230%	0.0134290%
City's Proportionate Share of the Net Pension Asset	\$27,926	\$14,451	\$18,281
City's Covered Payroll	\$59,614	\$55,271	\$55,000
City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	46.84%	26.15%	33.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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*  
*Ohio Public Employees Retirement System - OPEB Plan*  
*Last Four Years (1)*

	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.0108490%	0.0107450%	0.0103300%	0.0105900%
City's Proportionate Share of the Net OPEB Liability	\$1,498,528	\$1,400,894	\$1,121,762	\$1,069,626
City's Covered Payroll	\$1,639,068	\$1,561,103	\$1,463,302	\$1,269,608
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	91.43%	89.74%	76.66%	84.25%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	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 required 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 Seven Years (1)*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
City's Proportion of the Net Pension Liability	0.0193532%	0.0199500%	0.0200530%
City's Proportionate Share of the Net Pension Liability	\$1,303,735	\$1,628,447	\$1,230,744
City's Covered Payroll	\$476,643	\$472,109	\$448,713
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	273.52%	344.93%	274.28%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.89%	63.07%	70.91%

(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.

2017	2016	2015	2014
0.0212840%	0.0210600%	0.0206536%	0.0206536%
\$1,348,107	\$1,354,804	\$1,069,942	\$1,005,894
\$454,728	\$440,284	\$422,474	\$336,540
296.46%	307.71%	253.26%	298.89%
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 Four Years (1)*

	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.0193532%	0.0199500%	0.0200530%	0.0212840%
City's Proportionate Share of the Net OPEB Liability	\$191,166	\$181,676	\$1,136,176	\$1,010,304
City's Covered Payroll	\$476,643	\$472,109	\$448,713	\$454,728
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	40.11%	38.48%	253.21%	222.18%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.08%	46.57%	14.13%	15.96%

(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 required supplementary information

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**City of Wellston, Ohio**  
*Required Supplementary Information*  
*Schedule of City Contributions*  
*Ohio Public Employees Retirement System*  
*Last Eight Years (1)(3)*

	2020	2019	2018
<b>Net Pension Liability - Traditional Plan</b>			
Contractually Required Contribution	\$225,436	\$214,890	\$203,169
Contributions in Relation to the Contractually Required Contribution	<u>(225,436)</u>	<u>(214,890)</u>	<u>(203,169)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$1,610,257	\$1,534,929	\$1,451,207
Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net Pension Asset - Combined Plan</b>			
Contractually Required Contribution	\$0	\$8,346	\$7,738
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>(8,346)</u>	<u>(7,738)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$0	\$59,614	\$55,271
Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability - OPEB Plan (2)</b>			
Contractually Required Contribution	\$1,823	\$1,781	\$2,185
Contributions in Relation to the Contractually Required Contribution	<u>(1,823)</u>	<u>(1,781)</u>	<u>(2,185)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$1,655,832	\$1,639,068	\$1,561,103
Contributions as a Percentage of Covered Payroll	<u>0.11%</u>	<u>0.11%</u>	<u>0.14%</u>

- (1) Although this schedule is intended to reflect information for ten years, information prior to 2013 is not available for the net pension asset/liability. An additional column will be added each year.
- (2) 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.
- (3) Although this schedule is intended to reflect information for ten years, information prior to 2016 is not available for the net opeb liability. An additional column will be added each year.

See accompanying notes to the required supplementary information.



2017	2016	2015	2014	2013
\$177,160	\$139,897	\$125,029	\$140,450	\$111,454
<u>(177,160)</u>	<u>(139,897)</u>	<u>(125,029)</u>	<u>(140,450)</u>	<u>(111,454)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,362,769	\$1,165,808	\$1,041,908	\$1,170,417	\$857,338
<u>13.00%</u>	<u>12.00%</u>	<u>12.00%</u>	<u>12.00%</u>	<u>13.00%</u>
\$7,150	\$6,828	\$6,600	\$6,000	\$6,500
<u>(7,150)</u>	<u>(6,828)</u>	<u>(6,600)</u>	<u>(6,000)</u>	<u>(6,500)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$55,000	\$56,900	\$55,000	\$50,000	\$50,000
<u>13.00%</u>	<u>12.00%</u>	<u>12.00%</u>	<u>12.00%</u>	<u>13.00%</u>
\$15,999	\$26,330			
<u>(15,999)</u>	<u>(26,330)</u>			
<u>\$0</u>	<u>\$0</u>			
\$1,463,302	\$1,269,608			
<u>1.09%</u>	<u>2.07%</u>			

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

	2020	2019	2018	2017
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$118,255	\$97,146	\$95,380	\$91,613
Contributions in Relation to the Contractually Required Contribution	<u>(118,255)</u>	<u>(97,146)</u>	<u>(95,380)</u>	<u>(91,613)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (1)	\$587,056	\$476,643	\$472,109	\$448,713
Pension Contributions as a Percentage of Covered Payroll	<u>20.14%</u>	<u>20.38%</u>	<u>20.20%</u>	<u>20.42%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution	\$2,935	\$2,384	\$2,361	\$2,243
Contributions in Relation to the Contractually Required Contribution	<u>(2,935)</u>	<u>(2,384)</u>	<u>(2,361)</u>	<u>(2,243)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>
Total Contributions as a Percentage of Covered Payroll	<u>20.64%</u>	<u>20.88%</u>	<u>20.70%</u>	<u>20.92%</u>

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

See accompanying notes to the required supplementary information.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$92,657	\$89,864	\$86,434	\$57,125	\$45,743	\$67,911
<u>(92,657)</u>	<u>(89,864)</u>	<u>(86,434)</u>	<u>(57,125)</u>	<u>(45,743)</u>	<u>(67,911)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$454,728	\$440,284	\$422,474	\$336,540	\$331,364	\$487,473
<u>20.38%</u>	<u>20.41%</u>	<u>20.46%</u>	<u>16.97%</u>	<u>13.80%</u>	<u>13.93%</u>
\$2,273	\$2,201	\$2,113	\$12,171	\$22,367	\$32,904
<u>(92,657)</u>	<u>(89,864)</u>	<u>(86,434)</u>	<u>(57,125)</u>	<u>(45,743)</u>	<u>(67,911)</u>
<u>(\$90,384)</u>	<u>(\$87,663)</u>	<u>(\$84,321)</u>	<u>(\$44,954)</u>	<u>(\$23,376)</u>	<u>(\$35,007)</u>
<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>3.62%</u>	<u>6.75%</u>	<u>6.75%</u>
<u>20.88%</u>	<u>20.91%</u>	<u>20.96%</u>	<u>20.59%</u>	<u>20.55%</u>	<u>20.68%</u>

**City of Wellston, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Year Ended December 31, 2020*

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

Amounts reported beginning in 2019 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:

	2019	2018 and 2017	2016 and prior
Wage Inflation	3.25 percent	3.25 percent	3.75 percent
Future Salary Increases, including 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
Post-January 7, 2013 Retirees	see below	see below	see below
Investment Rate of Return	7.2 percent	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age

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

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

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

Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

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

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

For 2020, the Combined Plan had the same change in COLA or Ad Hoc COLA for Post-January 2, 2013 retirees as the Traditional Plan. For 2019, the investment rate of return changed from 7.5 percent to 7.2 percent.

**City of Wellston, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Year Ended December 31, 2020*

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**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
Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
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	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	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increased based on the lesser of the increase in CPI and 3 percent

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.

**City of Wellston, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Year Ended December 31, 2020*

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**Changes in Assumptions – OPERS OPEB**

Investment Return Assumption:	
Beginning in 2019	6.00 percent
2018	6.50 percent
Municipal Bond Rate:	
2020	2.75 percent
2019	3.71 percent
2018	3.31 percent
Single Discount Rate:	
2020	3.16 percent
2019	3.96 percent
2018	3.85 percent
Health Care Cost Trend Rate:	
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**

Single Discount Rate:	
2020	3.56 percent
2019	4.66 percent
2018	3.24 percent

**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.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS****INDEPENDENT AUDITORS' REPORT**

To the City Council  
City of Wellston:

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, 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 ("the City") as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 30, 2021, wherein we noted the City implemented GASB Statement No. 83.

**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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **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 grants agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

*Clark, Schaefer, Hackett & Co.*

Columbus, Ohio  
July 30, 2021





# CITY OF WELLSTON

203 E Broadway St.  
Wellston, OH 45692  
740.384.2720

[www.cityofwellston.org](http://www.cityofwellston.org)

## SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR § 200.511(b) December 31, 2020

Finding Number	Status	Explanation
2019-001	Corrected	Adjustments were necessary to record certain transactions.

Gary L Crabtree, Auditor  
City of Wellston  
740-384-2428  
[gcrabtree@cityofwellston.org](mailto:gcrabtree@cityofwellston.org)

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# 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 9/14/2021**

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

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