

***WELLINGTON EXEMPTED VILLAGE
SCHOOL DISTRICT***

LORAIN COUNTY

Audit Report

For the Year Ended June 30, 2013





Dave Yost • Auditor of State

Board of Education
Wellington Exempted Village School District
201 South Main Street
Wellington, Ohio 44090

We have reviewed the *Independent Auditors' Report* of the Wellington Exempted Village School District, Lorain County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

January 31, 2014

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**WELLINGTON EXEMPTED SCHOOL DISTRICT
LORAIN COUNTY
AUDIT REPORT
For the Year Ending June 30, 2013**

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INDEPENDENT AUDITORS' REPORT

Wellington Exempted Village School District
Lorain County
201 South Main Street
Wellington, Ohio 44090

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wellington Exempted Village School District, Lorain County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Wellington Exempted Village School District, Lorain County, Ohio, as of June 30, 2013, and the changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, during the fiscal year 2013, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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 this presentation to include *Management's discussion and analysis* listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Federal Awards Expenditures Schedule (Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
December 18, 2013

Wellington Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year June 30, 2013

Unaudited

It is a privilege to present to you the financial picture of Wellington Exempted Village School District. The discussion and analysis of Wellington Exempted Village School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2013 are as follows:

- In total, net position of governmental activities increased \$3,389, which represents a 0.04% increase from 2012. Further analysis of this increase may be found on page seven.
- Revenues for governmental activities totaled \$14,920,582 in 2013. Of this total, \$12,796,656 or 85.8% consisted of general revenues while program revenues accounted for the balance of \$2,123,926 or 14.2%.
- The School District had \$14,917,193 in expenses related to governmental activities; only \$2,123,926 of these expenses was offset by program specific charges for services and operating grants and contributions. General revenues (primarily taxes and school foundation) of \$12,796,656 were adequate for these programs.
- Program expenses totaled \$14,917,193. Instructional expenses made up \$8,509,024 or 57.1% of this total while support services accounted for \$5,120,261 or 34.3%. Other expenses, \$1,287,908 rounded out the remaining 8.6%.
- Unrestricted net position carried a balance of \$2,817,412, a decrease of \$315,576 from the prior year's balance of \$3,132,988. This component of net position is primarily related to the activity of the general fund.
- Total assets of governmental activities increased \$12,053,877 which represents a 74.4% increase from 2012 due to an increase in cash from the issuance of bonds during the fiscal year.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Wellington Exempted Village School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

Wellington Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year June 30, 2013

Unaudited

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. 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 remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of Wellington Exempted Village School District, the general fund and the classroom facilities capital projects fund are the most significant funds.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

The analysis of the School District as a whole begins on page seven. While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the questions, "Are we in a better financial position this year than last?" and "Why?" or "Why not?". The *Statement of Net Position* and the *Statement of Activities* assist in answering these questions. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual 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 School District's net position and changes in this position. This change in net position is important because it tells the readers that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the *Statement of Net Position* and the *Statement of Activities*, the School Districts' activities are considered to be all governmental activities. All of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major fund begins on page twelve. Fund financial reports provide detailed information about the School District's major fund. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and classroom facilities fund.

Wellington Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year June 30, 2013

Unaudited

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The School District as a Whole

You may recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2013 compared to 2012:

Table 1
Net Position
Governmental Activities

	<u>2013</u>	Restated <u>2012</u>
Assets		
Current and other assets	\$ 22,855,453	\$ 10,958,231
Capital assets, net of depreciation	<u>5,405,596</u>	<u>5,248,941</u>
Total assets	<u>28,261,049</u>	<u>16,207,172</u>
Liabilities		
Other liabilities	1,563,468	1,715,926
Long-term liabilities:		
Due within one year	625,705	267,471
Due in more than one year	<u>13,013,478</u>	<u>1,543,631</u>
Total liabilities	<u>15,202,651</u>	<u>3,527,028</u>
Deferred inflows of resources		
Property taxes	<u>4,410,471</u>	<u>4,035,606</u>
Net Position		
Net investment in capital assets	4,233,885	4,268,941
Restricted	1,596,630	1,242,609
Unrestricted	<u>2,817,412</u>	<u>3,132,988</u>
Total net position	<u>\$ 8,647,927</u>	<u>\$ 8,644,538</u>

Wellington Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year June 30, 2013

Unaudited

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the School District's assets exceeded liabilities and deferred inflows of resources by \$8,647,927.

Capital assets, reported on the government-wide statements represent a large component of net position. Capital assets include land and land improvements, buildings and improvements, furniture and equipment, and vehicles which are used to provide services to students and are not available for future spending.

A portion of the School District's net position, \$1,596,630, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted net position, \$847,413 is restricted for capital projects, \$458,578 is restricted for debt service and \$290,639 is restricted for other purposes. Restricted for other purposes primarily include amounts generated by individual school buildings to supplement co-curricular and extra-curricular programs, and for resources restricted for the operation of the School District's recreation center.

The vast majority of revenues supporting governmental activities were general revenues. General revenue totaled \$12,796,656 or 85.8% of total revenue. The most significant portion of the general revenue is property taxes which is 33.1% of total revenue and intergovernmental grants and entitlements revenue (consisting of state foundation, homestead and rollback, and personal property tax exemption) which is 40.2% of total revenue. Income taxes accounted for 11.9% of total revenue. Investment earnings and miscellaneous revenue account for 0.6% of total revenue. The remaining amount of revenue received was in the form of program revenues, which equated \$2,123,926 or only 14.2% of total revenue.

Table 2 shows the changes in net position for fiscal years 2013 and 2012.

Wellington Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year June 30, 2013

Unaudited

Table 2
Governmental Activities

	<u>2013</u>	<u>2012</u>
Program Revenues		
Charges for services	\$ 899,276	\$ 944,888
Operating grants and contributions	969,269	1,255,097
Capital grants and contributions	<u>255,381</u>	<u>34,421</u>
Total program revenues	<u>2,123,926</u>	<u>2,234,406</u>
General Revenues		
Property taxes	4,934,160	4,092,162
Income taxes	1,774,556	1,756,436
Grants and entitlements	5,994,580	6,278,943
Payments in lieu taxes	8,340	5,120
Investment earnings	14,559	6,564
Miscellaneous	<u>70,461</u>	<u>35,993</u>
Total general revenues	<u>12,796,656</u>	<u>12,175,218</u>
Total revenues	<u>14,920,582</u>	<u>14,409,624</u>
Program Expenses		
Instruction:		
Regular	6,870,609	6,744,714
Special	1,535,194	1,519,525
Vocational	103,221	100,764
Support services:		
Pupils	701,889	553,536
Instructional staff	670,195	985,810
Board of education	65,644	22,806
Administration	1,326,600	1,243,867
Fiscal	380,265	368,591
Operation and maintenance of plant	1,181,191	1,027,543
Pupil transportation	561,785	578,710
Central	232,692	226,016
Operation non-instructional services	544,005	481,789
Extracurricular activities	395,138	377,799
Interest and fiscal charges	185,498	45,583
Issuance costs	<u>163,267</u>	<u>-</u>
Total Program Expenses	<u>14,917,193</u>	<u>14,277,053</u>
Change in net assets	3,389	132,571
Net position beginning of year	8,644,538	8,542,484
Restatement	<u>-</u>	<u>(30,517)</u>
Net position end of year	<u>\$ 8,647,927</u>	<u>\$ 8,644,538</u>

Expenses increased \$640,140 or 4.5% in 2013 as compared to 2012. This increase was not due to any one item. During the same period, revenues increased by \$510,958 or 3.5%. This increase was mainly due to an increase in property taxes and income taxes for the current fiscal year.

Wellington Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year June 30, 2013

Unaudited

Governmental Activities -The School District has carefully planned its financial existence by forecasting its revenues and expenditures over the next five years. The School District's revenue growth is mostly dependent upon property tax increases. Property taxes made up 33.1% of revenues for governmental activities for the School District in fiscal year 2013. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating cost.

Instruction comprises 57.1% of governmental program expenses. Additional supporting services for pupils, staff and business operations encompassed an additional 34.3%. The remaining 8.6% of program expenses is used for other obligations of the School District such as operation of non-instructional services, extracurricular activities, interest and fiscal charges and issuance costs.

The Statement of Activities shows the cost of program services and the charges for services and operating and capital grants and contributions offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Total and Net Cost of Program Services
Governmental Activities

	Total Cost of Services <u>2013</u>	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2013</u>	Net Cost of Services <u>2012</u>
Program Expenses				
Instruction:				
Regular	\$ 6,870,609	\$ 6,744,714	\$ (6,272,207)	\$ (6,262,249)
Special	1,535,194	1,519,525	(1,208,501)	(1,197,223)
Vocational	103,221	100,764	(95,221)	(100,764)
Support services:				
Pupils	701,889	553,536	(701,889)	(503,990)
Instructional staff	670,195	985,810	(430,192)	(543,158)
Board of education	65,644	22,806	(65,644)	(22,806)
Administration	1,326,600	1,243,867	(1,260,749)	(1,195,752)
Fiscal	380,265	368,591	(380,265)	(368,591)
Operation and maintenance of plant	1,181,191	1,027,543	(1,181,191)	(993,122)
Pupil transportation	561,785	578,710	(561,785)	(578,710)
Central	232,692	226,016	(232,692)	(226,016)
Operation non-instructional services	544,005	481,789	(66,044)	54,248
Extracurricular activities	395,138	377,799	11,878	(58,931)
Interest and fiscal charges	185,498	45,583	(185,498)	(45,583)
Issuance costs	163,267	-	(163,267)	-
Total	<u>\$ 14,917,193</u>	<u>\$ 14,277,053</u>	<u>\$ (12,793,267)</u>	<u>\$ (12,042,647)</u>

Wellington Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year June 30, 2013

Unaudited

The dependence upon tax revenues for governmental activities is apparent. The net cost of the programs of \$12,793,267 was supported by mostly by property taxes and unrestricted grants. Program revenues totaled \$2,123,926 accounting for 14.2% of all governmental revenues. Program revenues include charges for services, operating grants and contributions, and capital grants and contributions that are program specific. The community, as a whole, is the primary support for Wellington Exempted Village School District students.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The total revenues and other financing sources for governmental funds were \$26,929,709 and total expenditures and other financing uses were \$15,269,718. The total governmental funds balance increased by \$11,659,991, the School District continues to be financially stable with a total governmental fund balance of \$16,580,775 at year-end. Table 4 shows fiscal year 2013 fund balances compared to fiscal year 2012.

Table 4
Fund Balances

	<u>Fund Balance</u> <u>June 30, 2013</u>	<u>Fund Balance</u> <u>June 30, 2012</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percent</u> <u>Change</u>
General	\$ 3,448,480	\$ 3,805,500	\$ (357,020)	(9.38)
Classroom facilities	10,677,456	-	10,677,456	100.00
Other governmental	<u>2,454,839</u>	<u>1,115,284</u>	<u>1,339,555</u>	<u>120.11</u>
Total	<u>\$ 16,580,775</u>	<u>\$ 4,920,784</u>	<u>\$ 11,659,991</u>	<u>210.73</u>

General Fund

The net change in fund balance for the fiscal year was not too significant in the general fund reporting a fund balance of \$3,448,480, a decrease of \$357,020 from 2012. This decrease was not attributable to any one specific item.

Wellington Exempted Village School District*Management's Discussion and Analysis**For the Fiscal Year June 30, 2013**Unaudited*

Table 5
General Fund Changes in Revenues and Expenditures

	2013 Amount	2012 Amount	Increase (Decrease)	Percent Change
<u>Revenues:</u>				
Property taxes	\$ 4,526,611	\$ 4,058,837	\$ 467,774	11.52%
Income taxes	1,774,556	1,756,436	18,120	1.03%
Intergovernmental	5,951,862	6,257,803	(305,941)	-4.89%
Interest	3,491	4,868	(1,377)	-28.29%
Tuition and fees	398,407	405,759	(7,352)	-1.81%
Extracurricular activities	148,896	145,659	3,237	2.22%
Gifts and donations	20,396	21,515	(1,119)	-5.20%
Charges for services	25,813	25,897	(84)	-0.32%
Payments in lieu of taxes	8,340	5,120	3,220	62.89%
Miscellaneous	52,432	25,456	26,976	105.97%
Total revenues	<u>12,910,804</u>	<u>12,707,350</u>	<u>203,454</u>	
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,560,936	6,382,483	178,453	2.80%
Special	1,112,914	1,193,323	(80,409)	-6.74%
Vocational	102,004	91,646	10,358	11.30%
Support services:				
Pupils	715,357	504,208	211,149	41.88%
Instructional staff	585,957	545,449	40,508	7.43%
Board of education	65,644	22,806	42,838	187.84%
Administration	1,280,539	1,213,401	67,138	5.53%
Fiscal	372,142	367,324	4,818	1.31%
Operation and maintenance of plant	1,108,767	992,956	115,811	11.66%
Pupil transportation	514,669	489,866	24,803	5.06%
Central	233,779	228,040	5,739	2.52%
Operation of non-instructional services	35,282	32,676	2,606	7.98%
Extracurricular	228,944	226,459	2,485	1.10%
Capital outlay	116,167	20,255	95,912	473.52%
Debt service:				
Principal retirement	4,177	-	4,177	100.00%
Interest and fiscal charges	1,019	-	1,019	100.00%
Bond issuance costs	80,156	-	80,156	100.00%
Total expenditures	<u>\$ 13,118,453</u>	<u>\$ 12,310,892</u>	<u>\$ 807,561</u>	

Wellington Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year June 30, 2013

Unaudited

General Fund Budgeting Highlights

The School District'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 fund to be budgeted is the main operating fund of the School District, the general fund.

During the course of fiscal year 2013, the School District amended its general fund budget several times; however this amendment was not significant. Budget revisions are presented to the Board of Education for approval. For the general fund, the final budget basis revenue was \$12,808,803 representing an increase of \$532,326 from the original budget estimate of \$12,276,477. Most of this difference is related to intergovernmental revenue not known during the original budget process. Actual revenue for the general fund was \$12,700,562, a decrease of \$108,241 from the final budget estimate. This decrease was not attributed to any single item. The School District's general fund unencumbered cash balance at the end of the fiscal year was \$3,369,815.

The difference between the original budget appropriations and the final amended budget appropriations of the general fund was an increase of \$484,838. Most of the increase occurred in support services, which amounted to \$478,541. Actual expenditures, including encumbrances and other financing uses met the budget. This was the result of conservative spending by the School District.

For the other non-significant budget amendments, the School District uses a site-based style of budgeting and has in place systems that are designed to tightly control site budgets but provide flexibility for site management. Building principals are given a per pupil allocation for textbooks, instructional materials and equipment.

Capital Assets and Debt Administration

A. Capital Assets

At the end of fiscal year 2013, the School District had \$5,405,596 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. Table 6 shows fiscal year 2013 values compared to 2012.

Table 6
Capital Assets, at Fiscal Year End
(Net of Depreciation)

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Land	\$ 1,465,737	\$ 1,430,520
Construction in progress	-	945,798
Land improvements	298,114	321,733
Buildings and improvements	3,029,925	1,990,727
Furniture and equipment	490,684	391,933
Vehicles	<u>121,136</u>	<u>168,230</u>
Total capital assets	<u>\$ 5,405,596</u>	<u>\$ 5,248,941</u>

Wellington Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year June 30, 2013

Unaudited

All capital assets, except land, are reported net of depreciation. As one can see, the most significant change in capital assets during the fiscal year occurred in buildings and improvements from expenses related to the School District's renovation project that was completed during the fiscal year. The additions in furniture and equipment were greater than the year's offsetting depreciation and land improvements, and vehicles current year depreciation was greater than current year additions. Additional information on capital assets can be found in Note 9.

B. Debt Administration

At June 30, 2013, the School District had \$12,852,777 in bonds and capital leases outstanding with \$427,179 due within one year. Table 7 summarizes the bonds outstanding:

Outstanding Debt, at Fiscal Year End Governmental Activities

	<u>2013</u>	<u>2012</u>
2011 Energy Conservation Bonds	\$ 915,000	\$ 980,000
School Improvement Bonds, 2013A	7,499,950	-
Unamortized premium	177,743	-
School Improvement Bonds, 2013B	4,074,983	-
Unamortized premium	96,257	-
Capital leases	88,844	-
Total outstanding	<u>\$ 12,852,777</u>	<u>\$ 980,000</u>

During the fiscal year 2011, the School District issued \$1,046,000 in energy conservation bonds in the form of federally taxable direct payment qualified school construction bonds at an interest rate of 6%. These bonds were issued to fund energy conservation related projects within the School District.

During the fiscal year 2013, the School District issued \$7,499,950 and \$4,074,983 in school improvement bonds. These bonds were issued to fund the school facilities projects.

See Note 14 and 15 to the basic financial statements for details on the School District's long-term obligations.

School District Outlook

Wellington Exempted Village School District has continued to maintain the highest standards of service to our students, parents and community. The School District is always presented with challenges and opportunities. Recent national events and their impact on the Wellington Exempted Village School District and the surrounding area are very much under review and analysis.

Wellington Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year June 30, 2013

Unaudited

The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The financial future of the School District is not without its challenges though. These challenges stem from issues that are local and at the State level. The local challenges will continue to exist, as the School District must rely heavily on property taxes to fund its operations. State level challenges continue to evolve as the State of Ohio works toward a solution to the State's unconstitutional education funding system. Although the School District relies heavily on its property taxpayers to support its operations, community support remains quite strong.

As a result of the challenges mentioned above, it is imperative that the School District's management continue to carefully and prudently plan to provide the resources required to meet student needs over the next several years.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers and investors and creditors with a general overview of the School District's finances and show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Ms. Suzanne Wilson, Treasurer at Wellington Exempted Village School District, 201 S. Main Street, Wellington, Ohio 44090, or call 440-647-4286.

Wellington Exempted Village School District

Statement of Net Position

June 30, 2013

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 16,749,059
Inventory held for resale	15,177
Materials and supplies inventory	2,718
Receivables:	
Accounts	29,587
Intergovernmental	172,240
Property taxes	5,186,196
Income taxes	658,125
Prepaid items	42,351
Capital assets:	
Nondepreciable capital assets, net	1,465,737
Depreciable capital assets, net	3,939,859
Total capital assets	<u>5,405,596</u>
Total assets	<u>28,261,049</u>
 <u>Liabilities:</u>	
Accounts payable	49,069
Accrued wages	1,127,373
Matured compensated absences payable	11,601
Intergovernmental payable	337,995
Accrued interest payable	37,430
Long-term liabilities:	
Due within one year	625,705
Due in more than one year	13,013,478
Total liabilities	<u>15,202,651</u>
 <u>Deferred inflows of resources:</u>	
Property taxes	<u>4,410,471</u>
 <u>Net position:</u>	
Net investment in capital assets	4,233,885
Restricted for:	
Capital projects	847,413
Debt service	458,578
Other purposes	290,639
Unrestricted	<u>2,817,412</u>
Total net position	<u>\$ 8,647,927</u>

See accompanying notes to the basic financial statements.

Wellington Exempted Village School District

Statement of Activities

For the Fiscal Year Ended June 30, 2013

	Program Revenues			Governmental Activities	Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions		
Governmental Activities:					
Instruction:					
Regular	\$ 6,870,609	\$ 395,403	\$ 75,483	\$ 127,516	\$ (6,272,207)
Special	1,535,194	5,220	321,473	-	(1,208,501)
Vocational	103,221	-	8,000	-	(95,221)
Support services:					
Pupils	701,889	-	-	-	(701,889)
Instructional staff	670,195	-	240,003	-	(430,192)
Board of education	65,644	-	-	-	(65,644)
Administration	1,326,600	50,307	15,544	-	(1,260,749)
Fiscal	380,265	-	-	-	(380,265)
Operation and maintenance of plant	1,181,191	-	-	-	(1,181,191)
Pupil transportation	561,785	-	-	-	(561,785)
Central	232,692	-	-	-	(232,692)
Operation of non-instructional services	544,005	202,933	275,028	-	(66,044)
Extracurricular activities	395,138	245,413	33,738	127,865	11,878
Interest and fiscal charges	185,498	-	-	-	(185,498)
Issuance costs	163,267	-	-	-	(163,267)
Total governmental activities	<u>\$ 14,917,193</u>	<u>\$ 899,276</u>	<u>\$ 969,269</u>	<u>\$ 255,381</u>	<u>(12,793,267)</u>

General Revenues:

Property taxes levied for:

General purposes	4,563,383
Debt service	317,613
School facilities maintenance	53,164

Income taxes levied for:

General purposes	1,774,556
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Grants and entitlements not restricted to specific programs 5,994,580

Payments in lieu of taxes 8,340

Investment earnings 14,559

Miscellaneous 70,461

Total general revenues 12,796,656

Change in net position 3,389

Net position, beginning of year, restated 8,644,538

Net position, end of year \$ 8,647,927

See accompanying notes to the basic financial statements.

Wellington Exempted Village School District

Balance Sheet

Governmental Funds

June 30, 2013

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 3,588,965	\$ 10,677,456	\$ 2,482,638	\$ 16,749,059
Inventory held for resale	-	-	15,177	15,177
Materials and supplies inventory	-	-	2,718	2,718
<u>Receivables:</u>				
Accounts	15,628	-	13,959	29,587
Intergovernmental	41,128	32,560	98,552	172,240
Interfund	25,297	-	-	25,297
Property taxes	4,613,668	-	572,528	5,186,196
Income taxes	658,125	-	-	658,125
Prepaid items	42,351	-	-	42,351
Total assets	<u>\$ 8,985,162</u>	<u>\$ 10,710,016</u>	<u>\$ 3,185,572</u>	<u>\$ 22,880,750</u>
 <u>Liabilities, deferred inflows of resources and fund balances:</u>				
<u>Liabilities:</u>				
Accounts payable	\$ 47,513	\$ -	\$ 1,556	\$ 49,069
Accrued wages	1,051,090	-	76,283	1,127,373
Matured compensated absences payable	11,601	-	-	11,601
Interfund payable	-	-	25,297	25,297
Intergovernmental payable	303,358	-	34,637	337,995
Total liabilities	<u>1,413,562</u>	<u>-</u>	<u>137,773</u>	<u>1,551,335</u>
 <u>Deferred inflows of resources:</u>				
Property taxes	3,911,912	-	498,559	4,410,471
Unavailable revenue	10,678	32,560	77,416	120,654
Unavailable revenue - delinquent property taxes	200,530	-	16,985	217,515
Total deferred inflows of resources	<u>4,123,120</u>	<u>32,560</u>	<u>592,960</u>	<u>4,748,640</u>
 <u>Fund balances:</u>				
Nonspendable	42,351	-	-	42,351
Restricted	-	10,677,456	2,558,206	13,235,662
Assigned	1,077,720	-	-	1,077,720
Unassigned	2,328,409	-	(103,367)	2,225,042
Total fund balances	<u>3,448,480</u>	<u>10,677,456</u>	<u>2,454,839</u>	<u>16,580,775</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,985,162</u>	<u>\$ 10,710,016</u>	<u>\$ 3,185,572</u>	<u>\$ 22,880,750</u>

See accompanying notes to the basic financial statements.

Wellington Exempted Village School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2013*

Total governmental fund balances		\$ 16,580,775
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		5,405,596
Other long-term assets that are not available to pay for current-period expenditures and therefore are unavailable in the funds:		
Property taxes	\$ 217,515	
Intergovernmental	109,976	
Tuition and fees	2,900	
Miscellaneous	7,778	
	<hr/>	338,169
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	\$ (12,763,933)	
Compensated absences	(786,406)	
Capital leases	(88,844)	
Accrued interest payable	(37,430)	
Total	<hr/>	<hr/> (13,676,613)
Net position of governmental activities		<hr/> \$ 8,647,927 <hr/>

See accompanying notes to the basic financial statements.

Wellington Exempted Village School District

Statement of Revenues, Expenditures

and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2013

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Property taxes	\$ 4,526,611	\$ -	\$ 353,792	\$ 4,880,403
Income taxes	1,774,556	-	-	1,774,556
Intergovernmental	5,951,862	94,956	985,070	7,031,888
Interest	3,491	11,036	32	14,559
Tuition and fees	398,407	-	-	398,407
Extracurricular activities	148,896	-	146,935	295,831
Gifts and donations	20,396	-	65,699	86,095
Charges for services	25,813	-	166,514	192,327
Payments in lieu of taxes	8,340	-	-	8,340
Miscellaneous	52,432	-	10,525	62,957
Total revenues	12,910,804	105,992	1,728,567	14,745,363
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,560,936	-	151,886	6,712,822
Special	1,112,914	-	416,463	1,529,377
Vocational	102,004	-	7	102,011
Support services:				
Pupils	715,357	-	-	715,357
Instructional staff	585,957	-	90,745	676,702
Board of education	65,644	-	-	65,644
Administration	1,280,539	-	72,224	1,352,763
Fiscal	372,142	-	4,267	376,409
Operation and maintenance of plant	1,108,767	-	39,849	1,148,616
Pupil transportation	514,669	-	1,236	515,905
Central	233,779	-	-	233,779
Operation of non-instructional services	35,282	-	505,090	540,372
Extracurricular activities	228,944	-	164,928	393,872
Capital outlay	116,167	-	162,118	278,285
Debt service:				
Principal retirement	4,177	-	65,000	69,177
Interest and fiscal charges	1,019	-	129,718	130,737
Issuance costs	80,156	-	105,342	185,498
Total expenditures	13,118,453	-	1,908,873	15,027,326
Excess of revenues over (under) expenditures	(207,649)	105,992	(180,306)	(281,963)
<u>Other financing sources (uses):</u>				
Proceeds of bonds	-	10,571,323	1,003,610	11,574,933
Inception of capital lease	93,021	-	-	93,021
Premium on bonds	-	141	273,859	274,000
Transfers in	-	-	242,392	242,392
Transfers out	(242,392)	-	-	(242,392)
Total other financing sources (uses)	(149,371)	10,571,464	1,519,861	11,941,954
Net change in fund balances	(357,020)	10,677,456	1,339,555	11,659,991
Fund balances at beginning of year	3,805,500	-	1,115,284	4,920,784
Fund balances at end of year	\$ 3,448,480	\$ 10,677,456	\$ 2,454,839	\$ 16,580,775

See accompanying notes to the basic financial statements.

Wellington Exempted Village School District

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Fiscal Year Ended June 30, 2013

Net change in fund balances - total governmental funds	\$ 11,659,991
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 capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:	
Capital asset additions	\$ 278,285
Capital contributions	127,865
Capital asset disposals	(126)
Depreciation expense	<u>(249,369)</u>
Excess of capital outlay over depreciation expense	156,655
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These activities consist of:	
Property taxes	\$ 53,757
Intergovernmental	(14,602)
Tuition and fees	471
Miscellaneous	<u>7,728</u>
Net change in deferred inflows of resources during the year	47,354
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	65,000
Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statements of net position, the lease obligation is reported as a liability. The following activities are the results of capital lease transactions:	
Inception of a capital lease	\$ (93,021)
Net change caused by capitalized lease transactions	(93,021)
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position	4,177
Some items 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. These activities consist of:	
Decrease in compensated absences	\$ 44,696
Increase in accrued interest	<u>(32,530)</u>
Total additional expenditures	12,166
The issuance of long-term bonds results in other financing sources in the governmental funds, but these transactions are reflected in the statement of net position as long-term liabilities.	<u>(11,848,933)</u>
Change in net position of governmental activities	\$ 3,389

See accompanying notes to the basic financial statements.

Wellington Exempted Village School District

Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual - General Fund
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 4,057,378	\$ 4,057,378	\$ 4,433,100	\$ 375,722
Income taxes	1,752,014	1,752,014	1,759,286	7,272
Intergovernmental	5,744,177	6,257,803	5,921,103	(336,700)
Interest	4,868	4,868	3,491	(1,377)
Tuition and fees	359,034	359,034	371,453	12,419
Extracurricular activities	103,273	103,273	97,997	(5,276)
Gifts and donations	9,302	13,302	12,016	(1,286)
Payments in lieu of taxes	5,120	5,120	5,573	453
Miscellaneous	10,972	25,672	50,123	24,451
Total revenues	12,046,138	12,578,464	12,654,142	75,678
Expenditures:				
Current:				
Instruction:				
Regular	6,586,326	6,544,831	6,544,933	(102)
Special	1,238,893	1,224,631	1,216,020	8,611
Vocational	95,373	93,111	101,882	(8,771)
Support services:				
Pupils	560,569	648,347	709,189	(60,842)
Instructional staff	540,859	588,854	593,537	(4,683)
Board of education	62,396	58,252	33,167	25,085
Administration	1,262,828	1,348,193	1,278,141	70,052
Fiscal	382,265	379,667	375,427	4,240
Operation and maintenance of plant	1,091,825	1,307,770	1,188,411	119,359
Pupil transportation	561,142	597,179	560,513	36,666
Central	267,110	279,273	259,049	20,224
Extracurricular activities	236,206	241,129	228,944	12,185
Debt service:				
Issuance costs	-	81,000	80,156	844
Total expenditures	12,885,792	13,392,237	13,169,369	222,868
Excess of revenues under expenditures	(839,654)	(813,773)	(515,227)	298,546
Other financing sources (uses):				
Proceeds from sale of capital assets	-	-	4,625	4,625
Refund of prior year expenditures	60,339	60,339	19,207	(41,132)
Other financing sources	-	-	476	476
Other financing uses	(56)	(1,000)	-	1,000
Advances in	170,000	170,000	22,112	(147,888)
Advances out	(27,566)	(26,112)	(21,297)	4,815
Transfers out	(400,009)	(378,912)	(242,392)	136,520
Total other financing sources (uses)	(197,292)	(175,685)	(217,269)	(41,584)
Net change in fund balance	(1,036,946)	(989,458)	(732,496)	256,962
Fund balance at beginning of year	3,797,078	3,797,078	3,797,078	-
Prior year encumbrances appropriated	305,233	305,233	305,233	-
Fund balance at end of year	\$ 3,065,365	\$ 3,112,853	\$ 3,369,815	\$ 256,962

See accompanying notes to the basic financial statements.

Wellington Exempted Village School District

Statement of Assets and Liabilities

Agency Funds

June 30, 2013

	<u>Agency</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	<u>\$ 23,446</u>
<u>Liabilities:</u>	
Due to students	<u>\$ 23,446</u>
Total liabilities	<u>\$ 23,446</u>

See accompanying notes to the basic financial statements.

Wellington Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Note 1 - Summary of Significant Accounting Policies

Description of the School District

Wellington Exempted Village School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and/or Federal guidelines.

The School District was established through the consolidation of existing land areas and school districts. The School District serves an area of approximately sixty four square miles. It is located in Lorain and Huron Counties. It is staffed by 69 non-certificated employees and 95 certificated personnel who provide services to 1,377 students and other community members.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Wellington Exempted Village School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the School District.

The School District is associated with organizations which are defined as a jointly governed organizations, public entity risk pools and insurance purchasing pools. These organizations include the North Coast Council (formerly known as Lake Erie Educational Computer Association or LEECA until July 1, 2012), Lake Erie Regional Council of Governments, Lorain County Joint Vocational School District and Ohio School Plan. These organizations are presented in Notes 16, 17 and 18 to the basic financial statements.

The financial statements of the School District 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 entity for establishing governmental accounting and financial reporting principles. Following are the more significant of the School District's accounting polices.

Wellington Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

A. Basis of Presentation – Fund Accounting

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The Statement of Net Position presents the financial condition of the governmental activities of the School District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. 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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the year, the School District segregates transactions related to certain School District 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 School District at this more detailed level. The focus of governmental statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental and fiduciary.

Governmental Funds Types

Governmental funds are those through which most governmental functions typically are financed. Governmental funds focus 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, liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

Wellington Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

General Fund: The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Classroom Facilities Fund: This capital projects fund is used to account for all transactions related to Ohio Classroom Facilities construction projects.

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

Fiduciary Fund Types

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary fund is an agency fund, which accounts for school and extracurricular activities managed by students.

C. Measurement Focus and Basis of Accounting

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets, liabilities, deferred outflows of resources and deferred inflows of resources associated with the operation of the School District are included on the Statement of Net Position. The Statement of Activities presents 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, current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Wellington Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, "available" means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the 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 sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, investment earnings, tuition, grants and entitlements, and student fees.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents 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. The School District did not have any deferred outflows of resources at year end.

In addition to liabilities, the statement of net position reports 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 School District, deferred inflows of resources include property taxes and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance year 2014 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as inflows of resources in the period the amounts become available.

Wellington Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the statement of activities as an expense with a like amount reported within the “Operating Grants, Contributions and Interest” program revenue account. Unused donated commodities are reported in the account “Inventory held for resale” within the basic financial statements.

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 the governmental funds.

D. Budgets and Budgetary Accounting

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The primary level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The Certificate of Estimated Resources and the Appropriation Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The amounts reported as the original budgeted revenue in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2013. The amounts reported as the original budgeted expenditures reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditures represent the final appropriation amounts passed by the Board during the year.

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

Wellington Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

E. Cash and Investments

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in pooled cash and cash equivalents". During the fiscal year, investments were limited to an interest in STAR Ohio, the State Treasurer's Investment Pool. All investments of the School District had a maturity of two years or less. These investments are stated at cost, which approximates market value (fair value). Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to certain trust funds, unless the Board specifically allows the interest to be recorded in other funds. The Board of Education has passed a resolution to allow interest to also be recorded in other funds as explained in Note 5.

For presentation on the basic financial statements, investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2013, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

G. Inventory

On the governmental-wide financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed when used. Inventories of the general fund were not significant at the end of the year. Inventories of the food service special revenue fund consist of donated food, purchased food and supplies held for resale.

H. Capital Assets

General capital assets are those assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of two thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. The School District's policy is not to capitalize interest costs incurred as part of construction.

Wellington Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Building and Improvements	50 - 80 years
Furniture and Equipment	8 - 25 years
Vehicles	15 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net position.

J. 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 School District 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 termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments. The entire compensated absences liability is reported on the government-wide financial statements.

For the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the fund financial statements when due.

Wellington Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

L. Fund Balance

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

Nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or 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 loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted fund balance category includes amounts that can be spent only for the specific purpose stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance classifications are intended to be used by the School District 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 policies of the School District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned fund balance is the residual classification for the general fund and includes all spendable 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 School District 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.

Wellington Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

M. Net Position

Net position represents the difference between assets, liabilities and deferred inflows of resources. 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 their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

N. Bond Premium

On the government-wide financial statements, bond premiums are deferred and amortized for the term of the bonds using the bonds-outstanding method since the results are not significantly different from the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On governmental fund statements, bond premiums are received in the year the bonds are issued.

O. Interfund Transactions

Interfund transactions are reported as other financing sources/uses for governmental funds in the fund financial statements. All transfers between governmental funds have been eliminated within the governmental activities column of the statement of net position.

P. 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 on the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Wellington Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Fund Balances	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Nonspendable</u>				
Prepays	\$ 42,351	\$ -	\$ -	\$ 42,351
<u>Restricted for</u>				
Athletics and music	-	-	171,360	171,360
Instructional programs	-	-	8,453	8,453
Classroom facilities maintenance	-	-	55,475	55,475
Drug awareness education	-	-	23,000	23,000
Capital improvements	-	10,677,456	1,818,463	12,495,919
Debt service payments	-	-	481,455	481,455
Total restricted	<u>-</u>	<u>10,677,456</u>	<u>2,558,206</u>	<u>13,235,662</u>
<u>Assigned</u>				
Public school support	36,438	-	-	36,438
Latchkey	5,672	-	-	5,672
Encumbrances	103,348	-	-	103,348
Next year's appropriation	932,262	-	-	932,262
Total assigned	<u>1,077,720</u>	<u>-</u>	<u>-</u>	<u>1,077,720</u>
Unassigned (deficit)	<u>2,328,409</u>	<u>-</u>	<u>(103,367)</u>	<u>2,225,042</u>
Total fund balances	<u>\$ 3,448,480</u>	<u>\$ 10,677,456</u>	<u>\$ 2,454,839</u>	<u>\$ 16,580,775</u>

Note 3 - Budgetary Basis of Accounting

While the School District is 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 Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the modified accrual basis of generally accepted accounting principles are that:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

Wellington Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

4. Encumbrances are treated as expenditures (budget basis) rather than assigned fund balance (GAAP basis).
5. The revenues, expenditures and other financing sources and uses of the general fund include activity that is budgeted within special revenue funds (GAAP basis). However, on the budgetary basis, the activity of the special revenue funds is excluded resulting in perspective differences.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statement for the general fund.

Net Change in Fund Balance	
	<u>General</u>
GAAP basis	\$ (357,020)
Revenue accruals	(211,539)
Advances in	22,112
Expenditure accruals	4,650
Advances out	(21,297)
Budgeted as part of special revenue funds:	
Revenues	(113,836)
Expenditures	112,515
Encumbrances (Budget Basis) outstanding at year end	<u>(168,081)</u>
Budget basis	<u>\$ (732,496)</u>

Note 4 – Implementation of New Accounting Standards

For fiscal year 2013, the School District has implemented Governmental Accounting Standards Board Statement (GASBS) No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”.

GASBS No. 63 established standards for the reporting of net position which was previously referred to as net assets. The School District’s implementation had no effect on the amount of beginning net position.

For fiscal year 2013, the School District has also implemented Governmental Accounting Standards Board Statement (GASBS) No. 65, “Items Previously Reported as Assets and Liabilities”.

GASBS No. 65 established standards that reclassify, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities. In prior periods the School District had reported assets related to the unamortized debt issuance costs in the governmental activity entity wide financial statements. GASBS No. 65 has reclassified debt issuance costs as an expense in the period incurred rather than amortizing the costs over the life of the debt. The School District’s implementation of GASBS No. 65 had the following effect on the amount of beginning net position.

Wellington Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

	Governmental <u>Activities</u>
Net position, June 30, 2012	\$ 8,675,055
Prior period adjustments:	
Unamortized debt issuance costs	<u>(30,517)</u>
Restated net position, July 1, 2012	<u>\$ 8,644,538</u>

Note 5 - Deposits and Investments

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District 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 the Board of Education 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 five years from the date of deposit, or by savings or deposit accounts, including passbook accounts.

Interim monies may be 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 obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (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;

Wellington Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in the amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, 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.

A. Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, the carrying amount of the School District's deposits was \$14,568,199. The School District's bank balance of \$14,710,572 was not exposed to custodial credit risk.

B. Investments

As of June 30, 2013 the School District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
STAROhio	\$ 2,204,306	57.5 ⁽²⁾	AAAm ⁽¹⁾

⁽¹⁾ Standard and Poor's rating.
⁽²⁾ Days (Average)

Wellington Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2013.

Interest rate risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. The School District's investment policy does not address limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation.

All interest is legally required to be placed in the general fund and building capital projects fund. Interest revenue credited to the general fund during fiscal year 2013 amounted to \$3,491, which includes \$751 assigned from other School District funds.

Note 6 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used for public utility) located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. 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 alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies and railroads. The tax was phased out by reducing the assessment rate on the property over several years. The bill provided reimbursements to the School District equivalent to the revenue lost due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue. House Bill No. 153 was signed into law on June 30, 2011. This bill dramatically reduced these reimbursements to the School District. Under the current state law, the School District will continue to be reimbursed at this reduced level.

Wellington Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

The District receives property taxes from Lorain County and Huron County. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at year-end was \$501,226 in the general fund, \$48,812 in the debt service fund and \$8,172 in the classroom facilities maintenance fund and is recognized as revenue on the fund financial statements.

On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2013	2012
	<u>Assessed Value</u>	<u>Assessed Value</u>
Real Property		
Residential and Agricultural	\$ 143,573,150	\$ 155,580,710
Commercial and Industrial	30,842,810	30,553,300
Public Utilities	157,620	268,910
Tangible Personal Property		
Public Utilities	<u>7,739,980</u>	<u>7,224,170</u>
Total	<u>\$ 182,313,560</u>	<u>\$ 193,627,090</u>

Note 7 - Receivables

Receivables at year-end consisted of taxes, accounts (tuition), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs, and the current year guarantee of federal funds. The general fund reported an intergovernmental receivable for \$41,128 for a workers' compensation dividend and refund from a retirement board and the school facilities fund reported an intergovernmental receivable for a reimbursement. Other nonmajor governmental funds recorded intergovernmental receivables for state and federal grants and reimbursements in the amount of \$98,552.

Wellington Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 8 - Interfund Transactions

Interfund balances at June 30, 2013 consisted of the following:

Due to general fund from:		
Nonmajor governmental funds	\$	25,297

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2013, all interfund loans outstanding are anticipated to be repaid in fiscal year 2014. These interfund balances will be repaid once the anticipated revenues are received. Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2013 are reported on the statement of net position.

Interfund transfers for the year ended June 30, 2013, consisted of the following:

Transfers from general fund to:		
Nonmajor governmental funds	\$	242,392

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

Wellington Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

<u>Governmental Activities</u>	<u>Balance June 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2013</u>
Capital assets, not being depreciated:				
Land	\$ 1,430,520	\$ 35,217	\$ -	\$ 1,465,737
Construction in progress	<u>945,798</u>	<u>-</u>	<u>(945,798)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>2,376,318</u>	<u>35,217</u>	<u>(945,798)</u>	<u>1,465,737</u>
Capital assets, being depreciated:				
Land improvements	830,625	-	-	830,625
Buildings	6,226,446	1,156,918	-	7,383,364
Furniture and equipment	1,061,083	159,813	(2,163)	1,218,733
Vehicles	<u>763,257</u>	<u>-</u>	<u>(34,923)</u>	<u>728,334</u>
Total capital assets, being depreciated	<u>8,881,411</u>	<u>1,316,731</u>	<u>(37,086)</u>	<u>10,161,056</u>
Less: Accumulated depreciation				
Land improvements	(508,892)	(23,619)	-	(532,511)
Buildings	(4,235,719)	(117,720)	-	(4,353,439)
Furniture and equipment	(669,150)	(60,936)	2,037	(728,049)
Vehicles	<u>(595,027)</u>	<u>(47,094)</u>	<u>34,923</u>	<u>(607,198)</u>
Total accumulated depreciation	<u>(6,008,788)</u>	<u>(249,369)</u>	<u>36,960</u>	<u>(6,221,197)</u>
Total capital assets being depreciated, net	<u>2,872,623</u>	<u>1,067,362</u>	<u>(126)</u>	<u>3,939,859</u>
Governmental activities capital assets, net	<u>\$ 5,248,941</u>	<u>\$ 1,102,579</u>	<u>\$ (945,924)</u>	<u>\$ 5,405,596</u>

Wellington Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

* Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$	144,111
Special		2,998
Vocational		385
Support services:		
Pupil		2,044
Administration		16,533
Fiscal		1,866
Operation and maintenance of plant		29,978
Pupil transportation		45,998
Operation of non-instructional services		4,190
Extracurricular activities		<u>1,266</u>
Total depreciation expense	\$	<u>249,369</u>

Note 10 - Risk Management

The School District 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. During fiscal year 2013, the School District contracted with a commercial insurance provider for liability, fleet and property insurance coverage. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

The School District pays the State Worker's Compensation System, a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The School District has contracted with the Lake Erie Regional Council of Governments (LERC) to provide employee health and medical benefits. The School District provides medical and dental benefits to most employees. The premium and coverage varies with employees depending on marital status.

Note 11 - Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified, full-time administrators and non-bargaining unit employees earn 10 to 30 days of vacation per year, depending upon length of service and hours worked. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and elementary principals do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. There is a 240 day limit as to the amount of sick leave that may be accumulated.

Wellington Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees. Life insurance is provided through a commercial insurance company. The premium for the employee term life insurance is paid by the School District at a rate of .075 per \$1,000 of coverage plus an additional administrative fee of 3% of the total premium.

Note 12 - Defined Benefit Pension Plans

A. School Employee Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the system. For fiscal year 2013, 13.10 percent of annual covered salary was the portion used to fund pension and death benefits. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$183,452, \$194,020 and \$227,744 respectively; 66.7 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

Wellington Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2012 (latest information available), plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2011, the portion used to fund pension obligations was 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$709,726, \$775,543 and \$767,230 respectively; 84.2 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$37,512 made by the School District and \$26,794 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2013, several members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

Note 13 - Postemployment Benefits

A. School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105 (e). For 2013, 0.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2013, this amount was \$20,525.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$30,461, \$33,312 and \$53,146 respectively; 96.5 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012 and 2011 were \$10,363, \$11,458 and \$14,656 respectively; 66.7 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. State Teachers Retirement System

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Wellington Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2012 (latest information available), STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District’s contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$54,594, \$59,657 and \$59,017 respectively; 84.2 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

Note 14 - Capitalized Leases - Lessee

During 2013, the School District entered in to a capital lease agreement for the acquisition of copiers and printers. The term of the agreement provide options to purchase the equipment. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements of governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by lease have been capitalized as equipment in the amount of \$93,021 equal to the present value of the future minimum lease payments at the time of acquisition. Principal payments in the current fiscal year totaled \$4,177. The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments at year-end.

Fiscal <u>Year</u>	Lease <u>Payments</u>
2014	\$ 20,784
2015	20,784
2016	20,784
2017	20,784
2018	<u>15,589</u>
Total minimum lease payments	98,725
Less: amount representing interest	<u>(9,881)</u>
Total	<u>\$ 88,844</u>

Wellington Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Note 15 - Bonded Debt and Other Long-Term Obligations

Changes in debt and long-term obligations of the School District during fiscal year 2013 were as follows:

	Balance <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2013</u>	Due Within <u>One Year</u>
Governmental Activities					
Bonds:					
School Improvement - 2013A					
Term bonds 1.5% - 4.0%	\$ -	\$ 7,375,000	\$ -	\$ 7,375,000	\$ 240,000
Capital appreciation	-	124,950	-	124,950	-
Premium	-	177,743	-	177,743	-
School Improvement - 2013B					
Term bonds 3.0% - 4.0%	-	3,955,000	-	3,955,000	-
Capital appreciation	-	119,983	-	119,983	85,135
Accretion on bonds	-	-	-	-	19,865
Premium	-	96,257	-	96,257	-
Energy Conservation					
Improvement 6.0%	<u>980,000</u>	<u>-</u>	<u>(65,000)</u>	<u>915,000</u>	<u>65,000</u>
Total bonds	<u>980,000</u>	<u>11,848,933</u>	<u>(65,000)</u>	<u>12,763,933</u>	<u>410,000</u>
Other long-term obligations:					
Capital lease	-	93,021	(4,177)	88,844	17,179
Compensated absences	<u>831,102</u>	<u>94,202</u>	<u>(138,898)</u>	<u>786,406</u>	<u>198,526</u>
Total other long-term obligations	<u>831,102</u>	<u>187,223</u>	<u>(143,075)</u>	<u>875,250</u>	<u>215,705</u>
Total long-term liabilities	<u>\$ 1,811,102</u>	<u>\$ 12,036,156</u>	<u>\$ (208,075)</u>	<u>\$ 13,639,183</u>	<u>\$ 625,705</u>

On May 22, and June 13, 2013 the School District issued school improvement bonds to be used on new construction and renovations of school buildings. The first issuance, School Improvement Bonds 2013A was for \$7,499,950 which includes \$124,950 of capital appreciation bonds (CABs) and has a final maturity in fiscal year 2043. The second issuance, School Improvement Bonds 2013B was for \$4,074,983, which includes \$119,983 of CABs and has a final maturity in fiscal year 2049. Both issues were at a premium in the amount of \$177,743 and \$96,257 respectively. The 2013A series CABs mature in fiscal years 2020 and 2021 at \$165,000 each. The CABs for the 2013B series mature in fiscal years 2014 through 2022 at various amounts: 2014 CAB will mature at \$105,000, 2015, 2016, 2017, 2019 and 2022 CABs mature at 25,000 each; 2018 CAB matures at \$20,000; and 2020 and 2021 CABs mature at \$30,000 each.

On January 27, 2011, the School District issued \$1,046,000 in Energy Conservation Bonds with an interest rate of 6.0% for the purpose of purchasing and installing energy conservation measures. The bonds and interest are to be repaid by the debt service fund. The bonds are Qualified School Construction Bonds (QSCB's) whereas the interest paid on the bonds has been 91.17% subsidized by the federal government. The federal government will remit the interest paid by the schools through a direct pay reimbursement.

Wellington Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Compensated absences will be paid from the general and food service funds.

Principal and interest requirements to amortize all bonds outstanding at June 30, 2013 are as follows:

Fiscal Year	Principal	Interest	Total
2014	\$ 390,135	\$ 264,837	\$ 654,972
2015	207,992	440,246	648,238
2016	208,315	439,073	647,388
2017	205,321	436,141	641,462
2018	207,725	427,813	635,538
2019-2023	1,000,445	2,277,692	3,278,137
2024-2028	1,445,000	1,771,188	3,216,188
2029-2033	1,580,000	1,557,450	3,137,450
2034-2038	2,035,000	1,276,475	3,311,475
2039-2043	2,650,000	840,200	3,490,200
2044-2048	2,075,000	356,000	2,431,000
2049	<u>485,000</u>	<u>19,400</u>	<u>504,400</u>
Total	<u>\$ 12,489,933</u>	<u>\$ 10,106,515</u>	<u>\$ 22,596,448</u>

During the fiscal year, the School District issued and repaid bond anticipation notes in the amount of \$10,571,464. The notes were issued to provide resources to begin a school facilities project. The notes were retired with a portion of the bond proceeds.

Note 16 - Jointly Governed Organizations

A. North Coast Council (NCC)

(NCC) is a jointly governed organization comprised of thirty-two member school districts and two educational service centers. The jointly governed organization was formed for the purpose of providing support and leadership which enables organizations to achieve their objectives through innovative and cost effective shared technology solutions. NCC is governed by a nine member Board of Directors chosen from the general membership of the NCC. Each participating entity's contribution to NCC is dependent upon student enrollment and/or software packages and services utilized. Financial information for NCC can be obtained by contacting the Treasurer at the Cuyahoga County Educational Service Center, which serves as fiscal agent. During fiscal year 2013, the School District contributed \$44,258 to NCC.

B. Lorain County Joint Vocational School District

The Lorain County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school district's elected boards, which possess its own budgeting and taxing authority. To obtain financial information write to the Lorain County Joint Vocational School District, 15181 State Route 58, Oberlin, Ohio 44074.

Note 17 - Public Entity Risk Pool

The Lake Erie Regional Council of Government (LERC) is a shared risk pool which is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services. The Council, comprised of 10 Lorain County school districts, has a Health Benefits Program, a media center, a natural gas purchasing consortium, and a life insurance purchasing pool. Each member provided operating resources to LERC on a per-pupil or actual usage charge, except for health insurance.

Note 18 – Insurance Purchasing Pool

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

Note 19 - Contingencies

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

Note 20 - Set-Asides

The School District is required by the state law to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. The School District may replace using general fund revenues with proceeds from various sources (offsets), such as bond or note proceeds related to the acquisition, replacement, enhancement, maintenance or repair of permanent improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years.

Wellington Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2013

Although the School District had qualifying disbursements and current year offsets during the fiscal year that reduced the set-aside amount to below zero for the capital maintenance reserve, this amount may not be used to reduce the set aside requirement for future years. This negative balance is, therefore, not presented as being carried forward to future years.

The following information describes the change in the year-end set-aside amounts for capital maintenance.

	<u>Capital Improvement Reserve</u>
Set-aside reserve balance as of June 30, 2012	\$ -
Current year set-aside requirement	235,291
Current year offsets	(7,500,000)
Qualifying disbursements	<u>-</u>
Total	<u>\$ (7,264,709)</u>
Set-aside balance carried forward to future fiscal years	<u>\$ -</u>

Note 21 - School District Income Tax

The School District levies a voted income tax of 1% on the residents' income and on estates. The permanent income tax has been effective since January 1, 1991. Employers of the School District's residents are required to withhold income tax on compensation and remit the withheld tax to the State of Ohio. Once the income taxes have been collected by the State of Ohio, the State makes quarterly payments to the School District after withholding an administrative fee and estimated amounts for refunds. The income tax money is receipted in the general fund. Taxpayers are required to file a school district income tax return annually.

Note 22 - Accountability

As of June 30, 2013, four funds had a deficit fund balance. These deficits were caused by the application of GAAP; namely in the reporting of various liabilities attributable to the fiscal year. These deficit balances will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The following funds had a deficit balance:

	<u>Amount</u>
<u>Nonmajor special revenue fund:</u>	
Food service	\$ 32,835
IDEA Part B	17,190
Title I	29,559
Title II-A Improving teacher quality	23,783

WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT

Federal Awards Expenditures Schedule

For the Year Ended June 30, 2013

Federal Grantor/Program Title	Pass Through Entity Number	CFDA Number	Receipts Recognized	Program Expenditures
<u>U.S. Department of Agriculture</u>				
Nutrition Cluster:				
Passed Through the Ohio Department of Education				
Cash Assistance:				
Breakfast Program	045658-05PU-2013	10.553	\$ 57,895	\$ 57,895
National School Lunch Program	045658-LLP4-2013	10.555	187,639	187,639
Direct Program:				
Non-Cash Assistance				
National School Lunch Program (Food Distribution)	n/a	10.555	29,829	29,829
Total Nutrition Cluster:			275,363	275,363
Passed Through the Ohio Department of Education				
Child Nutrition Mini Grant	na	10.574	4,376	918
National School Lunch & Breakfast Expansion Grant	na	10.560	-	14,500
Farm to School Grant	na	10.575	-	1,659
Total U.S. Department of Agriculture			279,739	292,440
<u>U.S. Department of Education</u>				
Passed through Ohio Department of Education				
Title I - Financial Assistance to Meet Specific Education Needs of Disadvantaged Children				
Title I - FY 11	045658-CISI-2013	84.010	226,583	230,071
Title I - FY 12	045658-CISI-2012	84.010	9,605	16,687
Total Title I			236,188	246,758
IDEA - B, Special Education - Assistance to State for Education of Handicapped Children				
IDEA - B - FY 11	045658-6BSF-2013	84.027	219,994	204,077
IDEA - B - FY 12	045658-6BSF-2012	84.027	33,347	38,155
Total IDEA-B, Special Education			253,341	242,232
Education Jobs				
Title II-D	na	84.410	52,565	38,662
Title II-A FY 11	045658-TJSI-2013	84.318	1,529	-
Title II-A FY 12	045658-TRSI-2013	84.367	50,909	59,743
Total U.S. Department of Education			594,532	587,395
Total Federal Receipts and Expenditures			\$ 874,271	\$ 879,835

See accompanying Notes to the Federal Awards Expenditures Schedule

WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
Lorain County, Ohio
Notes to the Federal Award Expenditures Schedule
For the Year Ended June 30, 2013

1. Significant Accounting Policies

The accompanying federal awards expenditures schedule is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred.

2. Food Distribution

Nonmonetary assistance is reported in the schedule at entitlement value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2013, the District had immaterial food commodities in inventory.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Wellington Exempted Village School District
Lorain County
201 South Main Street
Wellington, Ohio 44090

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wellington Exempted Village School District, Lucas County, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 18, 2013. We noted the District implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Internal Control Over Financial Reporting

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

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

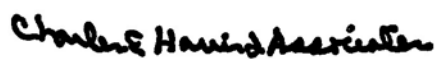
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies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

Compliance and Other Matters

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

Purpose of this Report

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



Charles E. Harris & Associates, Inc.
December 18, 2013

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Wellington Exempted Village School District
Lorain County
201 South Main Street
Wellington, Ohio 44090

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Wellington Exempted Village School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the Wellington Exempted Village School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.


Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
December 18, 2013

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505**

**WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY
June 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unmodified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any significant deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	TITLE I CFDA #84.010
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

**WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY
JUNE 30, 2013**

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, for the year ended June 30, 2012, reported no material citations or recommendations.

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Charles E. Harris & Associates, Inc.

Certified Public Accountants

Independent Accountants' Report on Applying Agreed-Upon Procedure

Wellington Exempted Village School District
Lorain County
201 South Main Street
Wellington, Ohio 44090

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether the Wellington Exempted Village School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

- We noted the Board amended its anti-harassment policy at its meeting on March 15, 2011 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates

Charles E. Harris & Associates, Inc.

December 18, 2013



Dave Yost • Auditor of State

WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 13, 2014**