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St. Clairsville, OH 43950
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**VILLAGE OF WELLINGTON
LORAIN COUNTY
Regular Audit
For the Years Ended December 31, 2014 and 2013**

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Dave Yost • Auditor of State

Village Council
Village of Wellington
115 Willard Memorial Square
Wellington, Ohio 44090

We have reviewed the *Independent Auditor's Report* of the Village of Wellington, Lorain County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2013 through December 31, 2014. 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 Village of Wellington is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

November 3, 2015

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**VILLAGE OF WELLINGTON
LORAIN COUNTY**

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VILLAGE OF WELLINGTON
LORAIN COUNTY

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INDEPENDENT AUDITOR'S REPORT

July 13, 2015

Village of Wellington
Lorain County
115 Willard Memorial Square
Wellington, Ohio 44090

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Village of Wellington**, Lorain County, Ohio (the Village), as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Village'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 the cash accounting basis Note 2C describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for 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 Village'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 Village'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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Wellington, Lorain County, Ohio, as of December 31, 2014 and 2013, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund for the years then ended in accordance with the accounting basis described in Note 2C.

Accounting Basis

We draw attention to Note 2C of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Other Information

We applied no procedures to the Management's Discussion and Analysis presented on pages 3 - 12 and 43 - 51 of the report, and accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2015, on our consideration of the Village'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 Village's internal control over financial reporting and compliance.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED

This discussion and analysis of the Village of Wellington, Ohio's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2014, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Financial Highlights

Key highlights for 2014 are as follows

The net position of governmental activities increased \$ 424,796 or 23.4 percent from 2013. This was the result of increases of \$ 191,623 in the General Fund, \$ 180,564 in the Capital Improvements Fund and \$ 52,609 in the Other Governmental Funds.

The Village's general receipts are primarily municipal income taxes and property and other local taxes. These receipts represent respectively 45.3 percent and 16.1 percent of the total cash received for governmental activities during the year.

The net position of business-type activities decreased \$ 100,162 from 2013. Net position in the Water Fund, Sewer Fund, and Other Enterprise Funds decreased by \$ 13,817, \$ 121,257 and \$ 6,103, respectively, while net position in the Electric Fund increased by \$ 41,015.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Government-wide Financial Statements

The Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis reflect how the Village did financially during 2014, within the limitations of cash basis accounting. The Statement of Net Position – Cash Basis presents the equity in pooled cash of the governmental and business-type activities of the Village at year-end. The Statement of Activities – Cash Basis compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis, we divide the Village into two types of activities:

Governmental activities - Most of the Village's basic services are reported here, including police, streets, and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity - The Village has several business-type activities; most significantly the provision of water, sewer, and electricity operations. Business-type activities are financed by a fee charged to the customers receiving the services.

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED

Fund Financial Statements

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that restricted money is being spent for the intended purpose. The funds of the Village are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund and Capital Improvement Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village's significant proprietary funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major proprietary funds are the Water Fund, Sewer Fund, and Electric Fund.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs. The Village's agency fund is the Cable TV Escrow Fund.

The Village as a Whole

Table 1 provides a summary of the Village's net position for 2014 compared to 2013 on a cash basis:

**Table 1
Net Position**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Equity in pooled cash	\$ 2,236,484	\$ 1,811,688	\$ 5,707,863	\$ 5,808,025	\$ 7,944,347	\$ 7,619,713
Total assets	\$ 2,236,484	\$ 1,811,688	\$ 5,707,863	\$ 5,808,025	\$ 7,944,347	\$ 7,619,713
Net position						
Restricted for:						
Capital projects	\$ 955,703	\$ 775,139	\$ -	\$ -	\$ 955,703	\$ 775,139
Debt service	206,648	210,258	-	-	206,648	210,258
Other	619,517	563,298	-	-	619,517	563,298
Unrestricted	454,616	262,993	5,707,863	5,808,025	6,162,479	6,071,018
Total net position	\$ 2,236,484	\$ 1,811,688	\$ 5,707,863	\$ 5,808,025	\$ 7,944,347	\$ 7,619,713

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED

As mentioned previously, the net position of governmental activities increased \$ 424,796 or 23.4 percent during 2014.

Table 2 reflects the changes in net position in 2014 compared to 2013 on a cash basis.

Table 2
Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Receipts						
Program receipts						
Charges for services	\$ 171,558	\$ 141,898	\$ 9,993,412	\$ 9,498,286	\$ 10,164,970	\$ 9,640,184
Operating grants and contributions	6,495	14,588	-	-	6,495	14,588
Capital grants and contributions	304,812	154,531	188,529	13,000	493,341	167,531
Total program receipts	<u>482,865</u>	<u>311,017</u>	<u>10,181,941</u>	<u>9,511,286</u>	<u>10,664,806</u>	<u>9,822,303</u>
General receipts						
Property and other local taxes	610,081	608,414	-	-	610,081	608,414
Municipal income taxes	1,711,443	1,503,356	-	-	1,711,443	1,503,356
Grants and entitlements	341,638	267,975	-	-	341,638	267,975
Note proceeds	-	163,297	378,776	-	378,776	163,297
Interest	37,726	69,848	2	3	37,728	69,851
Other	594,943	252,185	-	-	594,943	252,185
Total general receipts	<u>3,295,831</u>	<u>2,865,075</u>	<u>378,778</u>	<u>3</u>	<u>3,674,609</u>	<u>2,865,078</u>
Total receipts	<u>3,778,696</u>	<u>3,176,092</u>	<u>10,560,719</u>	<u>9,511,289</u>	<u>14,339,415</u>	<u>12,687,381</u>

(continued on next page)

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED

Change in Net Position
(Concluded)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Program cash disbursements						
General government	\$ 653,428	\$ 400,517	\$ -	\$ -	\$ 653,428	\$ 400,517
Security of persons and property	1,095,426	1,080,688	-	-	1,095,426	1,080,688
Public health services	29,189	28,928	-	-	29,189	28,928
Leisure time activities	59,468	46,776	-	-	59,468	46,776
Community environment	148,381	121,078	-	-	148,381	121,078
Transportation	777,892	783,790	-	-	777,892	783,790
Capital outlay	501,170	1,230,614	-	-	501,170	1,230,614
Principal	68,346	67,244	-	-	68,346	67,244
Interest and fiscal charges	20,600	24,380	-	-	20,600	24,380
Water	-	-	837,850	858,100	837,850	858,100
Sewer	-	-	1,567,936	1,014,094	1,567,936	1,014,094
Electric	-	-	7,852,246	7,058,404	7,852,246	7,058,404
Refuse	-	-	320,951	308,265	320,951	308,265
Other	-	-	81,898	147,707	81,898	147,707
Total program cash disbursements	3,353,900	3,784,015	10,660,881	9,386,570	14,014,781	13,170,585
Increase (decrease) in net position	424,796	(607,923)	(100,162)	124,719	324,634	(483,204)
Net position, at beginning of year	1,811,688	2,419,611	5,808,025	5,683,306	7,619,713	8,102,917
Net position, at end of year	\$ 2,236,484	\$ 1,811,688	\$ 5,707,863	\$ 5,808,025	\$ 7,944,347	\$ 7,619,713

Governmental Activities

Program receipts represent 12.8 percent of total receipts and are comprised of charges for services, operating and capital grants and contributions.

General receipts represent 87.2 percent of the Village's total receipts of governmental activities, and of this amount, 70.4 percent are municipal income taxes and property and other local taxes. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for general government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, the Finance Director and income tax departments, as well as internal services such as payroll and purchasing.

Security of persons and property are the costs of police protection; public health services is the health department; leisure time activities are the costs of maintaining the parks and playing fields; the economic development department promotes the village to industry and commerce as well as working with other governments in the area to attract new business; and transportation is the cost of maintaining the roads.

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED

If you look at the Statement of Activities – Cash Basis on page 14, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property, transportation, general government and capital outlay which account for 32.7 percent, 23.2 percent, 19.5 percent, and 14.9 percent of all governmental disbursements, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net (Disbursement) Receipt column compares the program receipts to the cost of the service. This “net cost” amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
Governmental activities		
General government	\$ 653,428	\$ 505,093
Security of persons and property	1,095,426	1,081,707
Public health services	29,189	27,750
Leisure time activities	59,468	54,248
Community environment	148,381	144,436
Transportation	777,892	473,080
Capital outlay	501,170	495,775
Principal	68,346	68,346
Interest and fiscal charges	20,600	20,600
Total governmental activities	\$ 3,353,900	\$ 2,871,035

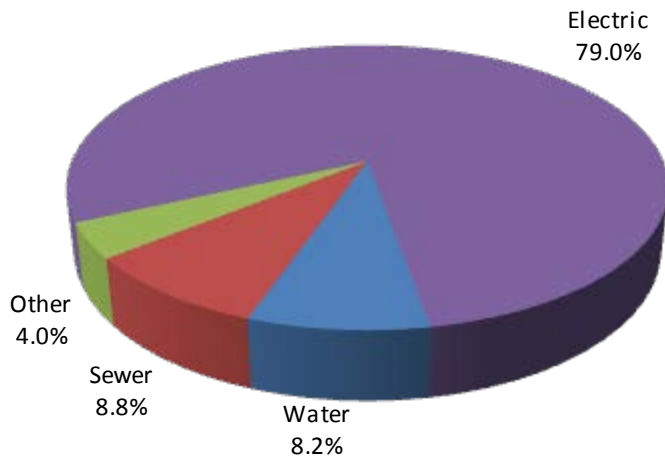
The dependence upon property and income tax receipts is apparent as 63.0 percent of governmental activities are supported through these general receipts.

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED

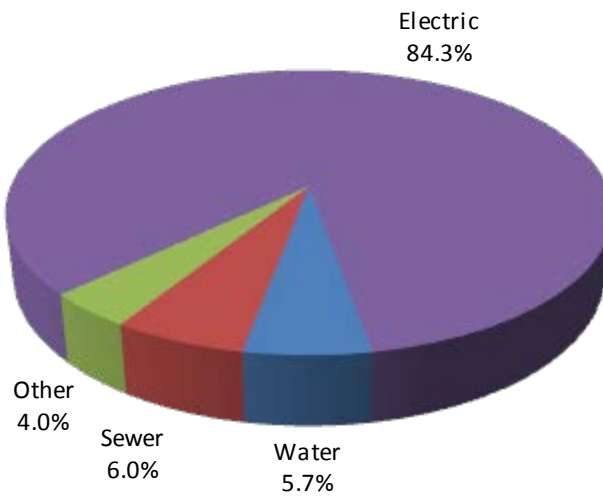
Business-type Activities

Charges for services is the primary source of receipts for the business-type activities. Program cash receipts were \$ 670,655 higher in 2014.

Receipts, Business-type Activities



Operating Disbursements, Business-type Activities



VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED

The Village's Funds

Total governmental funds had receipts of \$ 3,778,696 and disbursements of \$ 3,353,900. The fund balances of the General Fund, Capital Improvements Fund and Other Governmental Funds increased by \$ 191,623, \$ 180,564 and \$ 52,609, respectively.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2014, the Village amended its General Fund budget to reflect changing circumstances. Final budgeted receipts were \$ 48,000 higher than original budgeted receipts. Actual receipts were more than the final budgeted amount by \$ 69,562.

Final disbursements were budgeted at \$ 2,691,816 which was \$ 48,000 higher than original appropriations. Actual disbursements were \$ 108,683 less than the final budgeted amount.

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure.

Debt

Outstanding debt obligations of the Village consisted of:

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Bonds						
Special assessment	\$ 30,288	\$ 35,017	\$ -	\$ -	\$ 30,288	\$ 35,017
OPWC loans	351,160	381,395	259,468	118,448	610,628	499,843
OWDA loans	516,700	550,083	5,001,648	5,089,588	5,518,348	5,639,671
	<u>\$ 898,148</u>	<u>\$ 966,495</u>	<u>\$ 5,261,116</u>	<u>\$ 5,208,036</u>	<u>\$ 6,159,264</u>	<u>\$ 6,174,531</u>

The OWDA loan relates to water, sewer and storm sewer projects. The special assessment bonds are for street improvements. OPWC loans financed waterline improvements and replacements. For further information regarding the Village's debt, refer to Note 12 to the basic financial statements.

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED

Current Issues

Grade Separation

In November of 2012, the Village executed a cooperative construction project agreement with the Ohio Department of Transportation and CSX railroad to construct a grade separation on State Route 58, also known as North Main Street. A total of \$ 676,206.75 was paid in 2013 to the Ohio Department of Transportation for the Village's share. The primary source of local funds came from a railroad quieting account that was established in the early 2000's as a result of a settlement between the US FRA and CWX railroads. The project was bid in early 2013 and the official groundbreaking ceremony was held on April 8, 2013. Construction was delayed for two months while a solution to a pile driving issue was solved. This resulted in the project being delayed into 2015.

Community Incentive Grant

In 2013, the Village was able to obtain a small grant in the amount of \$ 3,950 from Lorain County as part of the Community Incentive Grant program. The grant money was used to buy a solar powered trash can, a bike rack made from recycled materials, and recycled copier paper.

Ohio Department of Natural Resources Grant

In late 2013, the Village was awarded a grant for approximately \$ 60,000 from the Ohio Department of Natural Resources. It is to be used for improvements to the Village's Recreation Park and plans are underway for new baseball fields. This project was still ongoing in 2014.

Wastewater Treatment Plant Improvement Project

The Village received notice from the Ohio Public Works Commission (OPWC) in late 2013 that funding for improvements to the wastewater treatment plant had been approved. The total cost of the project is anticipated to be approximately \$ 603,000. OPWC will provide a \$175,000 grant and a 0% interest loan for \$ 175,000. Additionally, funding was approved by the Environmental Protection Agency in the form of a 1% loan for the balance. Bidding on the project was done in 2013. Construction will begin in 2014 with completion scheduled for late summer 2014. Major construction was completed in 2014. Some data work is being finished in early 2015.

Barker Street Underground Utility Improvement Project

Initial engineering work was completed in 2014 for this project with construction to be completed in 2015. The Village will pay for a portion of the work as well as some funding through special assessments from the affected property owners. The balance will be paid through a grant and a loan from the state of Ohio.

Johns Street Waterline Improvement Project

Initial engineering work was completed in 2014 for this project. Construction will be done in 2015. Partial funding will come from the state of Ohio in the form of a grant and a loan. The balance will be paid from the Village water fund.

Electric Substation

An engineering study was done for the possibility of a new electric substation. In 2014, Council approved the funding of a new electric substation. Construction will begin in 2015 and will be paid from the Village electric fund.

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED

Change in Upper Management

In 2014, Chief of Police Steve Rollins retired after 24 years of service. Council then approved the Mayor's appointment of Tim Barfield as the new Chief of Police. Chief Barfield retired from the Maple Heights Police Department and started his duties with the Village in December, 2014.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Karen Shaw, Finance Director, Village of Wellington, 115 Willard Memorial Square, Wellington, Ohio 44090.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
STATEMENT OF NET POSITION – CASH BASIS
DECEMBER 31, 2014

	Governmental Activities	Business-type Activities	Total
Assets			
Equity in pooled cash	\$ 2,236,484	\$ 5,707,863	\$ 7,944,347
Total assets	\$ 2,236,484	\$ 5,707,863	\$ 7,944,347
Net position			
Restricted for:			
Capital projects	\$ 955,703	\$ -	\$ 955,703
Debt service	206,648	-	206,648
Highways and streets	386,102	-	386,102
Security of persons and property	222,274	-	222,274
Other	11,141	-	11,141
Unrestricted	454,616	5,707,863	6,162,479
Total net position	\$ 2,236,484	\$ 5,707,863	\$ 7,944,347

See accompanying notes to the basic financial statements

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY

STATEMENT OF ACTIVITIES – CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Cash Disbursements	Program Cash Receipts		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Current				
General government	\$ 653,428	\$ 148,285	\$ 50	\$ -
Security of persons and property	1,095,426	12,319	1,400	-
Public health services	29,189	1,439	-	-
Leisure time activities	59,468	4,120	1,100	-
Community environment	148,381	-	3,945	-
Transportation	777,892	-	-	304,812
Capital outlay	501,170	5,395	-	-
Debt service				
Principal	68,347	-	-	-
Interest and fiscal charges	20,599	-	-	-
Total governmental activities	<u>3,353,900</u>	<u>171,558</u>	<u>6,495</u>	<u>304,812</u>
Business-type activities				
Water	837,850	818,033	-	6,000
Sewer	1,567,936	885,374	-	182,529
Electric	7,852,246	7,893,261	-	-
Refuse	320,951	315,611	-	-
Other	81,898	81,133	-	-
Total business-type activities	<u>10,660,881</u>	<u>9,993,412</u>	<u>-</u>	<u>188,529</u>
Total	<u>\$ 14,014,781</u>	<u>\$ 10,164,970</u>	<u>\$ 6,495</u>	<u>\$ 493,341</u>

General receipts
 Property taxes levied for:
 General purposes
 Municipal income taxes
 Grants and entitlements not restricted to specific programs
 Note proceeds
 Interest
 Other
 Total general receipts

Change in net position

Net position at beginning of year

Net position at end of year

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (505,093)	\$ -	\$ (505,093)
(1,081,707)	-	(1,081,707)
(27,750)	-	(27,750)
(54,248)	-	(54,248)
(144,436)	-	(144,436)
(473,080)	-	(473,080)
(495,775)	-	(495,775)
(68,347)	-	(68,347)
(20,599)	-	(20,599)
<u>(2,871,035)</u>	<u>-</u>	<u>(2,871,035)</u>
-	(13,817)	(13,817)
-	(500,033)	(500,033)
-	41,015	41,015
-	(5,340)	(5,340)
-	(765)	(765)
-	<u>(478,940)</u>	<u>(478,940)</u>
<u>(2,871,035)</u>	<u>(478,940)</u>	<u>(3,349,975)</u>
610,081	-	610,081
1,711,443	-	1,711,443
341,638	-	341,638
-	378,776	378,776
37,726	2	37,728
594,943	-	594,943
<u>3,295,831</u>	<u>378,778</u>	<u>3,674,609</u>
424,796	(100,162)	324,634
<u>1,811,688</u>	<u>5,808,025</u>	<u>7,619,713</u>
<u>\$ 2,236,484</u>	<u>\$ 5,707,863</u>	<u>\$ 7,944,347</u>

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES -
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	General Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in pooled cash	\$ 454,616	\$ 955,703	\$ 826,165	\$ 2,236,484
Total assets	\$ 454,616	\$ 955,703	\$ 826,165	\$ 2,236,484
Fund balances				
Restricted	\$ -	\$ 955,703	\$ 826,165	\$ 1,781,868
Assigned	37,357	-	-	37,357
Unassigned	417,259	-	-	417,259
Total fund balances	\$ 454,616	\$ 955,703	\$ 826,165	\$ 2,236,484

See accompanying notes to the basic financial statements

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY

STATEMENT OF CASH RECEIPTS, DISBURSMENTS AND CHANGES IN CASH
BASIS FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2014

	General Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and other taxes	\$ 565,991	\$ -	\$ 44,090	\$ 610,081
Municipal income tax	1,296,008	415,435	-	1,711,443
Special assessments	-	52,710	20,995	73,705
Charges for services	537,502	5,395	-	542,897
Fines, licenses and permits	70,551	-	-	70,551
Intergovernmental	167,524	232,476	252,945	652,945
Interest	36,246	-	1,480	37,726
Contributions and donations	2,500	-	50	2,550
Miscellaneous	75,359	-	1,439	76,798
Total receipts	<u>2,751,681</u>	<u>706,016</u>	<u>320,999</u>	<u>3,778,696</u>
Disbursements				
Current				
General government	653,228	-	200	653,428
Security of persons and property	1,074,265	-	21,161	1,095,426
Public health services	4,345	-	24,844	29,189
Leisure time activities	59,468	-	-	59,468
Community environment	148,309	-	72	148,381
Transportation	620,443	-	157,449	777,892
Capital outlay	-	461,111	40,059	501,170
Debt service				
Principal	-	43,742	24,605	68,347
Interest and fiscal charges	-	20,599	-	20,599
Total disbursements	<u>2,560,058</u>	<u>525,452</u>	<u>268,390</u>	<u>3,353,900</u>
Net change in fund balances	191,623	180,564	52,609	424,796
Fund balances at beginning of year	<u>262,993</u>	<u>775,139</u>	<u>773,556</u>	<u>1,811,688</u>
Fund balances at end of year	<u>\$ 454,616</u>	<u>\$ 955,703</u>	<u>\$ 826,165</u>	<u>\$ 2,236,484</u>

See accompanying notes to the basic financial statements

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY

STATEMENT OF CASH RECEIPTS, DISBURSMENTS AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – BUDGET BASIS – GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and other taxes	\$ 596,909	\$ 596,909	\$ 565,991	\$ (30,918)
Municipal income tax	1,198,000	1,198,000	1,296,008	98,008
Charges for services	532,600	532,600	533,382	782
Fines, licenses and permits	47,000	95,000	70,551	(24,449)
Intergovernmental	86,490	86,490	167,524	81,034
Interest	63,000	63,000	36,246	(26,754)
Contributions and donations	4,000	4,000	2,500	(1,500)
Miscellaneous	102,000	102,000	75,359	(26,641)
Total receipts	<u>2,629,999</u>	<u>2,677,999</u>	<u>2,747,561</u>	<u>69,562</u>
Disbursements				
Current				
General government	719,388	706,538	662,899	43,639
Security of persons and property	1,067,716	1,080,566	1,076,905	3,661
Public health services	4,600	4,600	4,345	255
Leisure time activities	67,267	67,267	59,557	7,710
Community environment	128,888	176,888	158,752	18,136
Transportation	655,957	655,957	620,675	35,282
Total disbursements	<u>2,643,816</u>	<u>2,691,816</u>	<u>2,583,133</u>	<u>108,683</u>
Excess of receipts over (under) disbursements	<u>(13,817)</u>	<u>(13,817)</u>	<u>164,428</u>	<u>178,245</u>
Other financing sources				
Sale of capital assets	2,400	2,400	-	(2,400)
Total other financing sources	<u>2,400</u>	<u>2,400</u>	<u>-</u>	<u>(2,400)</u>
Net change in fund balances	(11,417)	(11,417)	164,428	175,845
Prior year encumbrances appropriated	18,026	18,026	18,026	-
Fund balances at beginning of year	211,244	211,244	211,244	-
Fund balances at end of year	<u><u>\$ 217,853</u></u>	<u><u>\$ 217,853</u></u>	<u><u>\$ 393,698</u></u>	<u><u>\$ 175,845</u></u>

See accompanying notes to the basic financial statements

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
STATEMENT OF FUND NET POSITION – CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2014

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Electric Fund</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Assets					
Equity in pooled cash	<u>\$ 186,871</u>	<u>\$ 369,094</u>	<u>\$ 4,855,246</u>	<u>\$ 296,652</u>	<u>\$ 5,707,863</u>
Total assets	<u>\$ 186,871</u>	<u>\$ 369,094</u>	<u>\$ 4,855,246</u>	<u>\$ 296,652</u>	<u>\$ 5,707,863</u>
Net position					
Unrestricted	<u>\$ 186,871</u>	<u>\$ 369,094</u>	<u>\$ 4,855,246</u>	<u>\$ 296,652</u>	<u>\$ 5,707,863</u>
Total net position	<u>\$ 186,871</u>	<u>\$ 369,094</u>	<u>\$ 4,855,246</u>	<u>\$ 296,652</u>	<u>\$ 5,707,863</u>

See accompanying notes to the basic financial statements

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND NET POSITION – CASH BASIS – PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Water Fund	Sewer Fund	Electric Fund	Other Enterprise Funds	Total Enterprise Funds
Receipts					
Charges for services	\$ 802,018	\$ 870,329	\$ 7,866,315	\$ 396,744	\$ 9,935,406
Interest	-	-	-	2	2
Miscellaneous	16,015	15,045	26,946	-	58,006
Total receipts	818,033	885,374	7,893,261	396,746	9,993,414
Operating disbursements					
Personal services	343,094	396,964	641,014	-	1,381,072
Travel transportation	767	1,458	1,537	-	3,762
Contractual services	36,124	35,434	6,523,865	347,012	6,942,435
Materials and supplies	140,451	118,801	544,032	23,273	826,557
Total operating disbursements	520,436	552,657	7,710,448	370,285	9,153,826
Operating income	297,597	332,717	182,813	26,461	839,588
Non-operating receipts (disbursements)					
Note proceeds	-	378,776	-	-	378,776
Intergovernmental	-	175,000	-	-	175,000
Special assessments	-	3,529	-	-	3,529
Capital outlay	(111,765)	(630,360)	(141,798)	(32,564)	(916,487)
Principal paid	(95,762)	(229,934)	-	-	(325,696)
Interest and fiscal charges	(109,887)	(154,985)	-	-	(264,872)
Total non-operating receipts (disbursements)	(317,414)	(457,974)	(141,798)	(32,564)	(949,750)
Income (loss) before contributions	(19,817)	(125,257)	41,015	(6,103)	(110,162)
Capital contributions - tap fees	6,000	4,000	-	-	10,000
Change in net position	(13,817)	(121,257)	41,015	(6,103)	(100,162)
Net position at beginning of year	200,688	490,351	4,814,231	302,755	5,808,025
Net position at end of year	\$ 186,871	\$ 369,094	\$ 4,855,246	\$ 296,652	\$ 5,707,863

See accompanying notes to the basic financial statements

VILLAGE OF WELLINGTON, OHIO
 LORAIN COUNTY
 STATEMENT OF NET POSITION – CASH BASIS
 FIDUCIARY FUNDS
 DECEMBER 31, 2014

Assets	<u>Agency</u>
Equity in pooled cash	<u>\$ 5,000</u>
Total assets	<u><u>\$ 5,000</u></u>
Net position	
Unrestricted	<u>\$ 5,000</u>
Total net position	<u><u>\$ 5,000</u></u>

See accompanying notes to the basic financial statements

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 1 – REPORTING ENTITY

The Village of Wellington, Lorain County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly elected six-member Council.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. PRIMARY GOVERNMENT

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water, sewer and electric utilities, maintenance of Village roads and bridges, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

B. COMPONENT UNITS

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. The Village has no component units.

C. JOINTLY GOVERNED ORGANIZATIONS

The Village is associated with the South Lorain County Ambulance District, Wellington Community Fire District, Wellington Union Cemetery and Wellington Community Improvement Corporation. These organizations and their relationships with the Village are described in more detail in Note 14 of these financial statements.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

D. JOINT VENTURE WITH EQUITY INTEREST

Ohio Municipal Electric Generation Agency Joint Venture 1 (Omega JV-1) – The Village is a participant with twenty-one subdivisions within the State of Ohio in a joint venture to provide supplemental reserve electric power to the participants on a cooperative basis. The Omega JV-1 was created for that purpose. The Omega JV-1 is managed by AMP-Ohio, which acts as the joint venture's agent. See Note 15 and Note 16 of these financial statements.

Ohio Municipal Electric Generation Agency Joint Venture 5 (Omega JV-5) – The Village is a participant with forty-two subdivisions within the State of Ohio in a joint venture to construct a hydroelectric plant and associated transmission facilities in West Virginia on the Ohio River at the Belleville Locks and Dam and receive electricity from its operation. The Omega JV-5 was created for that purpose. The Omega JV-5 is managed by AMP-Ohio, which acts as the joint venture agent. See Note 15 and Note 16 of these financial statements.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting.

A. BASIS OF PRESENTATION

The Village's basic financial statements consist of government-wide financial 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 – cash basis and the statement of activities –cash basis display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position – cash basis presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities – cash basis compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements

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

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. FUND ACCOUNTING

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories, governmental, proprietary and fiduciary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the Village's major governmental funds:

General Fund - The General Fund 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 Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Capital Improvements Fund – This fund is used to account for proceeds of municipal income tax, general obligation notes and other grants or aid. The proceeds are used for various street improvement projects.

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

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service. The Village has no internal service funds.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the Village's major enterprise funds:

Water Fund - The water fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Fund - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Electric Fund – The electric fund accounts for the provision of electric services to the residents and commercial users within the Village.

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village has no trust funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village's agency funds include the Cable TV Escrow Fund.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF ACCOUNTING

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. BUDGETARY PROCESS

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established to separately appropriate the amounts for each office, departments and division, and within each, the amount appropriated for personal services.

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

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

E. CASH AND INVESTMENTS

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in pooled cash".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Interest recorded to the General Fund during fiscal year 2014 amounted to \$ 36,246 which included \$ 34,507 assigned from other Village funds.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. CASH AND INVESTMENTS (continued)

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

Except for investment contracts and money market investments that had a maturity of one year or less at the time of purchase, investments are reported at fair value, which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

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. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2014.

F. RESTRICTED ASSETS

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Village had no restricted assets at year-end.

G. INVENTORY AND PREPAID ITEMS

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. CAPITAL ASSETS

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. INTERFUND RECEIVABLES/PAYABLES

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

K. EMPLOYER CONTRIBUTIONS TO COST-SHARING PENSION PLANS

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. LONG-TERM OBLIGATIONS

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

M. NET POSITION

Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position is available. As of December 31, 2014, restricted net position restricted by enabling legislation amounted to \$ 206,648.

N. FUND BALANCE

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

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or 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 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 - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Village Council. Those committed amounts cannot be used for any other purpose unless the Village Council 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 - Amounts in the assigned fund balance classification are intended to be used by the Village 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 the Village Council.

Unassigned - 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.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. FUND BALANCE (continued)

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

O. INTERFUND TRANSACTIONS

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement No.66, “Technical Corrections – 2012; an amendment of GASB Statements No. 10 and No. 62”. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the Village.

GASB Statement No.69, “Government Combinations and Disposals of Government Operations”. The objective of this Statement is to improve financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The term government combinations is used in this Statement to refer to a variety of arrangements including mergers and acquisitions. Government combinations also include transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. Transfers of operations may be present in shared service arrangements, reorganizations, redistricting, annexations, and arrangements in which an operation is transferred to a new government created to provide those services. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the Village.

GASB Statement No. 70, “Accounting and Financial Reporting for Nonexchange Financial Guarantees”. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. . As used in this Statement, a nonexchange financial guarantee is a guarantee of an obligation of a legally separate entity or individual, including a blended or discretely presented component unit, which requires the guarantor to indemnify a third-party obligation holder under specified conditions. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the Village.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is that outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The following table summarizes the adjustments necessary to reconcile the cash basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance	
	General Fund
Budget basis	\$ 164,428
Adjustments, increase (decrease):	
Encumbrances	23,561
Funds budgeted elsewhere **	3,634
Cash basis, as reported	<u>\$ 191,623</u>

** As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a cash basis. This includes the Recreation Fund and the Railroad Grade Crossing Fund.

NOTE 5 – FUND BALANCES

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

	General Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
Fund balances				
Restricted for:				
Capital projects	\$ -	\$ 955,703	\$ -	\$ 955,703
Debt service	-	-	206,648	206,648
Highways and streets	-	-	524,744	524,744
Security of persons and property	-	-	83,632	83,632
Other	-	-	11,141	11,141
	<u>-</u>	<u>955,703</u>	<u>826,165</u>	<u>1,781,868</u>
Assigned				
Recreation	30,293	-	-	30,293
Railroad grade crossing improvement	7,064	-	-	7,064
	<u>37,357</u>	<u>-</u>	<u>-</u>	<u>37,357</u>
Unassigned	417,259	-	-	417,259
Total fund balances	<u>\$ 454,616</u>	<u>\$ 955,703</u>	<u>\$ 826,165</u>	<u>\$ 2,236,484</u>

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 6 - DEPOSITS AND INVESTMENTS

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other 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 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 or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. 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; and
7. The State Treasurer's investment pool (STAR Ohio).

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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

At year end, the Village had \$ 400 in cash on hand which is included as part of "Equity in Pooled Cash".

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying amount of the Village's deposits was \$ 7,460,339, and the bank balance was \$ 7,506,185. Of the bank balance, \$ 2,926,774 was covered by federal depository insurance and \$ 4,579,411 was uninsured. Of the remaining balance, \$4,579,411 was collateralized with securities held by the pledging institution's trust department not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2014, the Village had the following investments:

	Weighted Average Maturities Years	Fair Value
STAROhio	n/a	\$ 454,849
Local government securities	n/a	33,759
		\$ 488,608

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village has no investment policy dealing with investment custodial risk beyond the requirements in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualifying trustee.

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village's investment policy addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio Law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Village has no investment policy that would further limit its investment choices.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

The Village places not limit on the amount that may be invested in any one issuer. The following is the Village's allocation as of December 31, 2014:

	Percentage of Investments
STAROhio	93.1%
Local government securities	6.9%

NOTE 7 – INCOME TAXES

The Village levies a one percent income tax whose proceeds are placed into the General Fund and Capital Improvements Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

NOTE 8 – PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2014 represent the collection of 2013 taxes. Real property taxes received in 2014 were levied after October 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 receipts received in 2014 represent the collection of 2012 taxes. Public utility real and tangible personal property taxes received in 2014 became a lien on December 31, 2013, were levied after October 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The full tax rate for all Village operations for the year ended December 31, 2014, was \$ 4.10 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2014 property tax receipts were based are as follows:

	2014 Collection Year
Property valuation consisted of:	
Real property	\$ 84,003,130
Public utility property	713,810
Total valuation	\$ 84,716,940

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 9 – RISK MANAGEMENT

The Village is exposed to various risk of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Village also provides health insurance, dental and vision coverage to full-time employees through the Lorain County Healthcare program. There have not been any significant reductions in insurance coverage from coverage in the prior year and the amounts of settlements have not exceeded coverage for any of the prior three years. The Village pays the State Workers' Compensation System a premium on a rate per \$ 100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

NOTE 10 – DEFINED BENEFIT PENSION PLANS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

The Traditional Pension Plan —a cost sharing, multiple-employer defined benefit pension plan.

The Member-Directed Plan —a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

The Combined Plan —a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member- Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or calling 614-222-5601 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2014 member contribution rates were 10.0% of covered payroll for members in state and local classifications. Public safety and law enforcement members contributed 12.0% and 12.6%, respectively. The 2014 contribution rate for state and local employers was 14.00% of covered payroll. The law enforcement and public safety division employer contribution rate was 18.1% of covered payroll.

The Village's contributions for pension obligations to the traditional, combined, and member directed plans for the year ended December 31, 2014, December 31, 2013, and December 31, 2012 were \$ 238,389, \$252,127, and \$196,610, respectively. For 2014, \$ 221,050 (92.7%) has been contributed. The full amount has been contributed for 2013 and 2012.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

B. OHIO POLICE AND FIRE PENSION FUND

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

From January 1, 2014 thru July 1, 2014, plan members were required to contribute 10.75% of their annual covered salary. From July 2, 2014 thru December 31, 2014, plan members were required to contribute 11.5% of their annual covered salary. Throughout 2014, the Village was required to contribute 19.5% and 24% respectively for police officers. The Village's required contributions to OP&F for the years ended December 31, 2014, 2013, and 2012 were \$ 59,990, \$ 53,060, and \$ 41,963, respectively. For 2014, \$ 54,801 (91.3%) has been contributed. The full amount has been contributed for 2013 and 2012. The Village has no firefighters.

NOTE 11 – POSTEMPLOYMENT BENEFITS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or calling 614-222-5601 or 1-800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 11 – POSTEMPLOYMENT BENEFITS (continued)

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed at a rate of 14.00% of covered payroll and public safety and law enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan and the Combined Plan was 2.0% during calendar year 2014. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions for post-employment benefits for the year ended December 31, 2014, December 31, 2013, and December 31, 2012 were \$ 39,713, \$ 19,386, and \$ 78,968, respectively. For 2014, \$ 36,824 (92.7%) has been contributed. The full amount has been contributed for 2013 and 2012.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

B. OHIO POLICE AND FIRE PENSION FUND

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at www.op-f.org.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 11 – POSTEMPLOYMENT BENEFITS (continued)

B. OHIO POLICE AND FIRE PENSION FUND (continued)

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits.

For the year ended December 31, 2014, the employer contribution allocated to the health care plan was .5% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The Village's contributions to fund postemployment healthcare were for the years ended December 31, 2014, December 31, 2013, and December 31, 2012 were \$1,601, \$12,099 and \$22,216, respectively. For 2014, \$1,462, (91.3%) has been contributed. The full amount has been contributed for 2013 and 2012.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 12 - DEBT

Changes in the Village's debt obligations during the year were as follows:

	Outstanding 12/31/13	Additions	Reductions	Outstanding 12/31/14	Due In One Year
<u>Governmental activities</u>					
Special assessment bonds					
Street Improvements (1999) 6.0% through 2019	\$ 22,825	\$ -	\$ 3,265	\$ 19,560	\$ 3,464
Street Improvements (2000) 5.75% through 2020	12,192	-	1,464	10,728	1,548
Total special assessment bonds	<u>35,017</u>	<u>-</u>	<u>4,729</u>	<u>30,288</u>	<u>5,012</u>
Ohio Public Works					
OPWC loan (2002) 0% through 2022	81,760	-	13,626	68,134	13,626
OPWC loan (2009) 0% through 2029	93,749	-	6,250	87,499	6,250
OPWC loan (2010) 0% through 2030	6,074	-	368	5,706	368
OPWC loan (2012) 0% through 2032	199,812	-	9,991	189,821	9,991
Total OPWC loans	<u>381,395</u>	<u>-</u>	<u>30,235</u>	<u>351,160</u>	<u>30,235</u>
Ohio Water Development Authority					
OWDA loan (2012) 2.58% through 2033	550,083	-	33,383	516,700	34,249
Total governmental activities	<u>\$ 966,495</u>	<u>\$ -</u>	<u>\$ 68,347</u>	<u>\$ 898,148</u>	<u>\$ 69,496</u>

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 12 – DEBT (continued)

	Outstanding 12/31/13	Additions	Reductions	Outstanding 12/31/14	Due In One Year
<u>Business-type activities</u>					
Ohio Public Works					
OPWC loan (2002)					
0% through 2022	\$ 35,274	\$ -	\$ 4,150	\$ 31,124	\$ 4,150
OPWC loan (1999)					
0% through 2019	24,786	-	4,507	20,279	4,507
OPWC loan (2010)					
0% through 2030	58,388	-	3,649	54,739	3,649
OPWC loan (2014)					
0% through 2045	-	153,326	-	153,326	2,917
Total OPWC loans	<u>118,448</u>	<u>153,326</u>	<u>12,306</u>	<u>259,468</u>	<u>15,223</u>
Ohio Water Development Authority					
OWDA loan (1999)					
6.32% through 2024	816,090	-	60,991	755,099	64,845
OWDA loan (1999)					
6.87% through 2024	448,324	-	52,011	396,313	55,585
OWDA loan (2000)					
5.86% through 2024	592,537	-	42,466	550,071	44,955
OWDA loan (2005)					
4.66% through 2025	1,464,726	-	104,649	1,360,077	109,583
OWDA loan (2006)					
4.59% through 2037	1,733,842	-	43,751	1,690,091	45,782
OWDA loan (2010)					
4.59% through 2030	34,069	-	2,129	31,940	2,129
OWDA loan (2014)					
1.00% through 2034	-	225,450	7,393	218,057	10,181
Total OWDA loans	<u>5,089,588</u>	<u>225,450</u>	<u>313,390</u>	<u>5,001,648</u>	<u>333,060</u>
Total business-type activities	<u>\$ 5,208,036</u>	<u>\$ 378,776</u>	<u>\$ 325,696</u>	<u>\$ 5,261,116</u>	<u>\$ 348,283</u>

The Special Assessment Bonds are for street reconstruction and improvement. The Ohio Water Development Authority (OWDA) loans relate to water, sewer and storm sewer projects. The Ohio Public Works Commission (OPWC) loans financed street improvements and waterline improvements and replacements. The loans will be repaid in semiannual installments, including interest, over a period of 20 to 30 years. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed.

The Village obtained a loan during 2014 for waste water treatment plant improvements from OPWC. The total loan amount approved by OPWC is \$175,000. As of December 31, 2014, the Village had drawn down \$ 153,326. The accompanying amortization schedule is based upon the total loan amount of \$ 175,000.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 12 – DEBT (continued)

The following is a summary of the Village's future annual debt service requirements:

Year	Governmental Activities						Total	
	Special Assessment Bonds		OPWC loans	OWDA loans		Principal		
	Principal	Interest	Principal	Principal	Interest			
2015	\$ 5,012	\$ 1,791	\$ 30,235	\$ 34,249	\$ 12,934	\$ 69,496	\$ 14,725	
2016	5,312	1,494	30,235	22,447	12,351	57,994	13,845	
2017	5,630	1,179	30,235	23,030	11,753	58,895	12,932	
2018	5,965	845	30,235	23,628	11,139	59,828	11,984	
2019	6,323	492	30,235	24,242	10,510	60,800	11,002	
2020 - 2024	2,046	118	83,043	130,984	42,521	216,073	42,639	
2025 - 2029	-	-	76,796	148,897	24,140	225,693	24,140	
2030 - 2034	-	-	40,146	109,223	4,856	149,369	4,856	
	<u>\$ 30,288</u>	<u>\$ 5,919</u>	<u>\$ 351,160</u>	<u>\$ 516,700</u>	<u>\$ 130,204</u>	<u>\$ 898,148</u>	<u>\$ 136,123</u>	

Year	Business-type Activities				
	OWDA loans		OPWC loans	Total	
	Principal	Interest	Principal	Principal	Interest
2015	\$ 333,060	\$ 248,511	\$ 15,223	\$ 348,283	\$ 248,511
2016	351,004	230,567	18,139	369,143	230,567
2017	369,967	211,604	18,139	388,106	211,604
2018	390,010	191,561	18,139	408,149	191,561
2019	411,194	170,375	15,884	427,078	170,375
2020 - 2024	1,900,464	524,979	57,784	1,958,248	524,979
2025 - 2029	463,454	223,060	47,414	510,868	223,060
2030 - 2034	550,293	119,409	29,165	579,458	119,409
2035 - 2039	232,202	13,474	29,165	261,367	13,474
2040 - 2044	-	-	29,165	29,165	-
2045	-	-	2,926	2,926	-
	<u>\$ 5,001,648</u>	<u>\$ 1,933,540</u>	<u>\$ 281,143</u>	<u>\$ 5,282,791</u>	<u>\$ 1,933,540</u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 13 – CONTINGENT LIABILITIES

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

NOTE 14 – JOINTLY GOVERNED ORGANIZATIONS

A. SOUTH LORAIN COUNTY AMBULANCE DISTRICT

The Ambulance District is an ambulance district organized pursuant to Ohio Rev. Code Section 505.71 and is directed by an appointed seven-member Board of Trustees representing the Villages of Wellington and Brighton, Huntington, Penfield, Pittsfield, Rochester, and Wellington Townships. The Ambulance District provides emergency medical services to the residents within the Ambulance District which includes the Village. In 2014, the Village did not make any payments to the Ambulance District. Financial information can be obtained by contacting the Ambulance District at 179 East Herrick Avenue, Wellington, Ohio, 44090.

B. WELLINGTON COMMUNITY FIRE DISTRICT

The Fire District is a joint or community fire district organized pursuant to Ohio Rev. Code Section 505.371 and is directed by an appointed six-member Board of Trustees representing the Village of Wellington and Brighton, Huntington, Penfield, Pittsfield, and Wellington Townships. The Fire District provides fire protection and rescue services within the Fire District which includes the Village. In 2014, the Village did not make any payments to the Fire District. Financial information can be obtained by contacting the Fire District at 202 Kelly Street, Wellington, Ohio, 44090

C. WELLINGTON UNION CEMETERY

The Cemetery is a union cemetery organized pursuant to Ohio Rev. Code Section 759.27 and is directed by an appointed three-member Board of Trustees representing the Village of Wellington and Wellington Township. The Cemetery provides for the sale of burial lots, grave openings and closings, and the perpetual care of graves to residents of the Village and Township. The Cemetery operates and maintains the West Herrick Cemetery and Greenwood Cemetery, both located in the Village. In 2014, the Village paid \$ 24,441 to the Cemetery. Financial information can be obtained by contacting the Cemetery at 115 Willard Square, Wellington, Ohio, 44090.

D. WELLINGTON COMMUNITY IMPROVEMENT CORPORATION

The Wellington CIC is a community improvement corporation organized pursuant to Ohio Rev. Code Section 1724 and is directed by a seven-member Board of Trustees which includes the Village Mayor, Council President, and Village Administrator. The Wellington CIC coordinates community development activities within the Village. In 2014, the Village did not make any payments to the Wellington CIC. Financial information can be obtained by contacting the Wellington CIC at 115 Willard Square, Wellington, Ohio, 44090.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 15 – JOINT VENTURE WITH EQUITY INTEREST

A. OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 1 (OMEGA JV-1)

The Village is a participant with twenty-one subdivisions within the State of Ohio in this joint venture to provide supplemental reserve electric power to the participants on a cooperative basis. On dissolution of the joint venture, the net assets of Omega JV-1 will be shared by the participants on a percentage basis. The Omega JV-1 is managed by AMP-Ohio which acts as the joint venture's agent. The participants are obligated by the agreement to remit monthly costs incurred from using electricity generated by the joint venture. The Village's net investment and its share of the operating results of Omega JV-1 are reported in the Village's electric fund (an enterprise fund). The Village's equity interest in Omega JV-1 was \$ 12,491 at December 31, 2012 (the most recent information available). Complete financial statements for Omega JV-1 can be obtained from AMP-Ohio or from the Village's Finance Director.

B. OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 5 (OMEGA JV-5)

The Village of Wellington is a Financing Participant with an ownership percentage of 1.62%, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA JV5 Agreement, the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP-Ohio.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 participants.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2013 Wellington has met their debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the nondefaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such nondefaulting JV5 Participant's ownership share of the project prior to any such increases.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 15 – JOINT VENTURE WITH EQUITY INTEREST (continued)

B. OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 5 (OMEGA JV-5)

OMEGA JV5 is managed by AMP-Ohio, which acts as the joint venture's agent. During 1993 and 2001 AMP-Ohio issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2005 the 1993 Certificates were refunded by issuing 2005 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$ 34,951,833 from the periods 2006 through 2024.

The Village's net investment and its share of operating results of OMEGA JV5 are reported in the Village's electric fund (an enterprise fund). The Village's net investment to date in OMEGA JV5 was \$ 158,306 at December 31, 2012 (the most recent information available). Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

NOTE 16 – AMERICAN MUNICIPAL POWER GENERATING STATION PROJECT

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 7,955 kilowatts of a total 771,281 kilowatts, giving the Village a 1.03 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, payment of these costs was not made due to AMP's pursuit of legal action to void them. As a result of a March 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014, of the impaired costs is \$1,381,110. The Village received a credit of \$337,968 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$359,764 related to the AMPGS costs deemed to have future benefit for the project participants, leaving a net impaired cost estimate of \$683,378. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's payments. The Village made payments in 2014 totaling \$22,800 leaving a net impaired cost estimate of \$669,669 at December 31, 2014.

The Village intends to recover these costs and repay AMP over the next 5 years through a power cost adjustment.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 16 – AMERICAN MUNICIPAL POWER GENERATING STATION PROJECT (continued)

AMP Fremont Energy Center (AFEC) Development Fee

The AFEC Development Fee is the amount paid by AFEC participants to the AMPGS project as a Development Fee in August, 2011. AFEC participants are a separate group of AMP members that obtained financing for engineering, consulting and other development costs for expertise obtained by AMP for Natural Gas Combined Cycle power plants. This amount is financed by AMP, Inc. and is to be collected through debt service from AFEC participants. The Development Fee paid by all AFEC Participants is credited to the potential AMPGS costs of each AFEC participant that is also an AMPGS participant in proportion to their relative percentage of AFEC (but not less than zero) as approved by the AMP Board. The Village is a participant in the AFEC project and has received a credit to reduce its share of AMPGS potential stranded costs as noted below.

Based on the allocation methodology approved by the AMP Board of Trustees as mentioned above, the Village receives a credit of \$ 329,269 for being a participant in both projects. This credit is proportionate to its AFEC allocation kW share of 3,145 and the total kW share of those participating in both projects. The Village has recorded this credit in its financial statements as of December 31, 2011 through its appropriation for this liability.

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued.

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
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This discussion and analysis of the Village of Wellington, Ohio's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2013, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Financial Highlights

Key highlights for 2013 are as follows

The net position of governmental activities decreased \$ 607,923 or 25.1 percent from 2012. This was the result of decreases of \$ 561,166 in the General Fund and \$ 173,005 in the Capital Improvements Fund and an increase of \$ 126,248 in the Other Governmental Funds.

The Village's general receipts are primarily municipal income taxes and property and other local taxes. These receipts represent respectively 47.3 percent and 19.2 percent of the total cash received for governmental activities during the year.

The net position of business-type activities increased \$ 124,719 from 2012. Net position in the Water Fund, Sewer Fund, and Other Enterprise Funds decreased by \$ 50,320, \$ 138,299 and \$ 66,052, respectively, while net position in the Electric Fund increased by \$ 379,390.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The Statement of Net Position and the Statement of Activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
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Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities reflect how the Village did financially during 2013, within the limitations of cash basis accounting. The Statement of Net Position presents the equity in pooled cash of the governmental and business-type activities of the Village at year-end. The Statement of Activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the Statement of Net Position and the Statement of Activities, we divide the Village into two types of activities:

Governmental activities - Most of the Village's basic services are reported here, including police, streets, and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity - The Village has several business-type activities; most significantly the provision of water, sewer, and electricity operations. Business-type activities are financed by a fee charged to the customers receiving the services.

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
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Fund Financial Statements

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that restricted money is being spent for the intended purpose. The funds of the Village are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund and Capital Improvement Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village's significant proprietary funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major proprietary funds are the Water Fund, Sewer Fund, and Electric Fund.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs. The Village's agency funds include the Cable TV Escrow Fund and the Fire Loss Escrow Fund.

The Village as a Whole

Table 1 provides a summary of the Village's net position for 2013 compared to 2012 on a cash basis:

**Table 1
Net Position**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Equity in pooled cash	\$ 1,811,688	\$ 2,419,611	\$ 5,808,025	\$ 5,683,306	\$ 7,619,713	\$ 8,102,917
Total assets	<u>\$ 1,811,688</u>	<u>\$ 2,419,611</u>	<u>\$ 5,808,025</u>	<u>\$ 5,683,306</u>	<u>\$ 7,619,713</u>	<u>\$ 8,102,917</u>
Net position						
Restricted for:						
Capital projects	\$ 775,139	\$ 948,144	\$ -	\$ -	\$ 775,139	\$ 948,144
Debt service	210,258	168,507	-	-	210,258	168,507
Other	563,298	478,801	-	-	563,298	478,801
Unrestricted	262,993	824,159	5,808,025	5,683,306	6,071,018	6,507,465
Total net position	<u>\$ 1,811,688</u>	<u>\$ 2,419,611</u>	<u>\$ 5,808,025</u>	<u>\$ 5,683,306</u>	<u>\$ 7,619,713</u>	<u>\$ 8,102,917</u>

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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As mentioned previously, the net position of governmental activities decreased \$ 607,923 or 25.1 percent during 2013.

Table 2 reflects the changes in net position in 2013 compared to 2012 on a cash basis.

Table 2
Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Receipts						
Program receipts						
Charges for services	\$ 141,898	\$ 210,351	\$ 9,498,286	\$ 9,107,935	\$ 9,640,184	\$ 9,318,286
Operating grants and contributions	14,588	15,649	-	-	14,588	15,649
Capital grants and contributions	154,531	584,585	13,000	310,176	167,531	894,761
Total program receipts	<u>311,017</u>	<u>810,585</u>	<u>9,511,286</u>	<u>9,418,111</u>	<u>9,822,303</u>	<u>10,228,696</u>
General receipts						
Property and other local taxes	608,414	623,486	-	-	608,414	623,486
Municipal income taxes	1,503,356	1,544,878	-	-	1,503,356	1,544,878
Grants and entitlements	267,975	348,701	-	-	267,975	348,701
Note proceeds	163,297	122,932	-	496,204	163,297	619,136
Sale of assets	-	36,556	-	-	-	36,556
Interest	69,848	75,390	3	4	69,851	75,394
Other	252,185	76,751	-	-	252,185	76,751
Total general receipts	<u>2,865,075</u>	<u>2,828,694</u>	<u>3</u>	<u>496,208</u>	<u>2,865,078</u>	<u>3,324,902</u>
Total receipts	<u>3,176,092</u>	<u>3,639,279</u>	<u>9,511,289</u>	<u>9,914,319</u>	<u>12,687,381</u>	<u>13,553,598</u>

(continued on next page)

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
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Table 2
Change in Net Position
(Concluded)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Program cash disbursements						
General government	\$ 400,517	\$ 400,700	\$ -	\$ -	\$ 400,517	\$ 400,700
Security of persons and property	1,080,688	1,027,277	-	-	1,080,688	1,027,277
Public health services	28,928	23,649	-	-	28,928	23,649
Leisure time activities	46,776	57,156	-	-	46,776	57,156
Community environment	121,078	98,427	-	-	121,078	98,427
Transportation	783,790	907,857	-	-	783,790	907,857
Capital outlay	1,230,614	1,208,202	-	-	1,230,614	1,208,202
Principal	67,244	24,332	-	-	67,244	24,332
Interest and fiscal charges	24,380	3,783	-	-	24,380	3,783
Water	-	-	858,100	936,970	858,100	936,970
Sewer	-	-	1,014,094	1,589,061	1,014,094	1,589,061
Electric	-	-	7,058,404	6,576,674	7,058,404	6,576,674
Refuse	-	-	308,265	302,195	308,265	302,195
Other	-	-	147,707	51,602	147,707	51,602
Total program cash disbursements	3,784,015	3,751,383	9,386,570	9,456,502	13,170,585	13,207,885
Increase (decrease) in net position	(607,923)	(112,104)	124,719	457,817	(483,204)	345,713
Net position, at beginning of year	2,419,611	2,531,715	5,683,306	5,225,489	8,102,917	7,757,204
Net position, at end of year	\$ 1,811,688	\$ 2,419,611	\$ 5,808,025	\$ 5,683,306	\$ 7,619,713	\$ 8,102,917

Governmental Activities

Program receipts represent 9.8 percent of total receipts and are comprised of charges for services, operating and capital grants and contributions.

General receipts represent 90.2 percent of the Village's total receipts of governmental activities, and of this amount, 66.5 percent are municipal income taxes and property and other local taxes. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for general government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, the Finance Director and income tax departments, as well as internal services such as payroll and purchasing.

Security of persons and property are the costs of police protection; public health services is the health department; leisure time activities are the costs of maintaining the parks and playing fields; the economic development department promotes the village to industry and commerce as well as working with other governments in the area to attract new business; and transportation is the cost of maintaining the roads.

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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If you look at the Statement of Activities on page 55, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property, transportation, and capital outlay which account for 28.6 percent, 20.7 percent, and 32.5 percent, of all governmental disbursements, respectively. General government disbursements also represents a significant cost, at 11.0 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
Governmental activities		
General government	\$ 400,517	\$ 276,965
Security of persons and property	1,080,688	1,060,858
Public health services	28,928	27,463
Leisure time activities	46,776	40,266
Community environment	121,078	116,691
Transportation	783,790	669,925
Capital outlay	1,230,614	1,189,206
Principal	67,244	67,244
Interest and fiscal charges	24,380	24,380
Total governmental activities	\$ 3,784,015	\$ 3,472,998

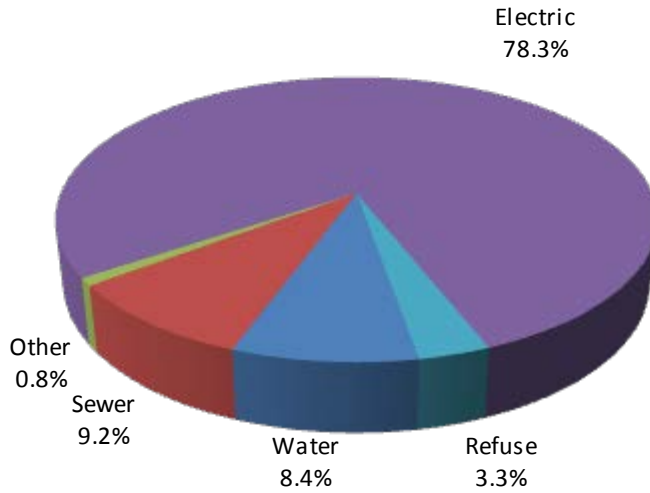
The dependence upon property and income tax receipts is apparent as 58.0 percent of governmental activities are supported through these general receipts.

VILLAGE OF WELLINGTON
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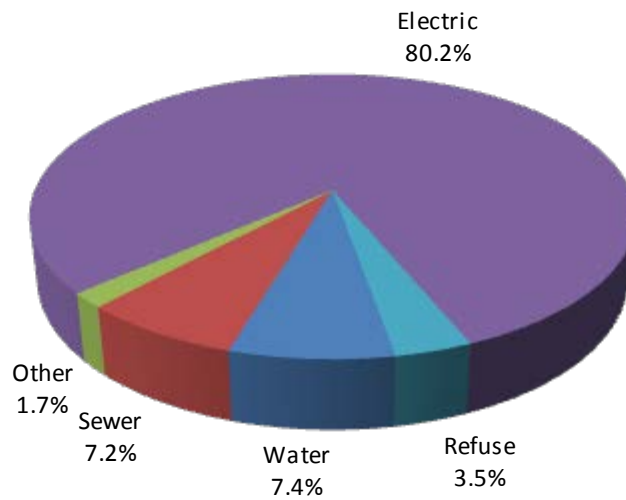
Business-type Activities

Charges for services is the primary source of receipts for the business-type activities. Program cash receipts were \$ 93,175 higher in 2013.

Receipts, Business-type Activities



Disbursements, Business-type Activities



VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The Village's Funds

Total governmental funds had receipts of \$ 3,012,795, disbursements of \$ 3,784,015 and other financing sources of \$ 163,297. The fund balance of the General Fund decreased \$ 561,166 and the fund balance of the Capital Improvements Fund decreased \$ 173,005. Other Governmental Funds had an increase of \$ 126,248.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2013, the Village amended its General Fund budget to reflect changing circumstances. Final budgeted receipts were \$ 116,002 higher than original budgeted receipts. Actual receipts were less than the final budgeted amount by \$ 124,507.

Final disbursements were budgeted at \$ 2,355,986 which was \$ 113,601 higher than original appropriations. Actual disbursements were \$ 41,626 less than the final budgeted amount.

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure.

Debt

Outstanding debt obligations of the Village consisted of:

	Governmental Activities		Business-type Activities		Total	
	2013	Restated 2012	2013	Restated 2012	2013	Restated 2012
Bonds						
Special assessment	\$ 35,017	\$ 49,479	\$ -	\$ -	\$ 35,017	\$ 49,479
OPWC loans	381,395	324,759	118,448	130,754	499,843	455,513
OWDA loans	550,083	496,204	5,089,588	5,379,613	5,639,671	5,875,817
	<u>\$ 966,495</u>	<u>\$ 870,442</u>	<u>\$ 5,208,036</u>	<u>\$ 5,510,367</u>	<u>\$ 6,174,531</u>	<u>\$ 6,380,809</u>

The OWDA loan relates to water, sewer and storm sewer projects. The special assessment bonds are for street improvements. OPWC loans financed waterline improvements and replacements. For further information regarding the Village's debt, refer to Note 12 to the basic financial statements.

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED

Current Issues

Grade Separation

In November of 2012, the Village executed a cooperative construction project agreement with the Ohio Department of Transportation and CSX railroad to construct a grade separation on State Route 58, also known as North Main Street. A total of \$676,206.75 was paid in 2013 to the Ohio Department of Transportation for the Village's share. The primary source of local funds came from a railroad quieting account that was established in the early 2000's as a result of a settlement between the US FRA and CWX railroads. The project was bid in early 2013 and the official groundbreaking ceremony was held on April 8, 2013. The project is on schedule for completion in the fall of 2014.

Community Incentive Grant

In 2013, the Village was able to obtain a small grant in the amount of \$4,387 from Lorain County as part of the Community Incentive Grant program. The grant money was used to buy recycled wood for a shade structure at the SplashPad.

Ohio Department of Natural Resources Grant

In late 2013, the Village was awarded a grant for approximately \$60,000 from the Ohio Department of Natural Resources. It is to be used for improvements to the Village's Recreation Park and plans are underway for new baseball fields.

Wastewater Treatment Plant Improvement Project

The Village received notice from the Ohio Public Works Commission (OPWC) in late 2013 that funding for improvements to the wastewater treatment plant had been approved. The total cost of the project is anticipated to be approximately \$ 603,000. OPWC will provide a \$175,000 grant and a 0% interest loan for \$ 175,000. Additionally, funding was approved by the Environmental Protection Agency in the form of a 1% loan for the balance. Bidding on the project was done in 2013. Construction will begin in 2014 with completion scheduled for late summer 2014.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Karen Shaw, Finance Director, Village of Wellington, 115 Willard Memorial Square, Wellington, Ohio 44090.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
STATEMENT OF NET POSITION – CASH BASIS
DECEMBER 31, 2013

	Governmental Activities	Business-type Activities	Total
Assets			
Equity in pooled cash	\$ 1,811,688	\$ 5,808,025	\$ 7,619,713
Total assets	<u>\$ 1,811,688</u>	<u>\$ 5,808,025</u>	<u>\$ 7,619,713</u>
Net position			
Restricted for:			
Capital projects	\$ 775,139	\$ -	\$ 775,139
Debt service	210,258	-	210,258
Highways and streets	346,596	-	346,596
Security of persons and property	206,778	-	206,778
Other	9,924	-	9,924
Unrestricted	262,993	5,808,025	6,071,018
Total net position	<u>\$ 1,811,688</u>	<u>\$ 5,808,025</u>	<u>\$ 7,619,713</u>

See accompanying notes to the basic financial statements

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY

STATEMENT OF ACTIVITIES – CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Cash Disbursements	Program Cash Receipts		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 400,517	\$ 123,302	\$ 250	\$ -
Security of persons and property	1,080,688	10,743	9,087	-
Public health services	28,928	1,465	-	-
Leisure time activities	46,776	5,646	864	-
Community environment	121,078	-	4,387	-
Transportation	783,790	-	-	113,865
Capital outlay	1,230,614	742	-	40,666
Principal	67,244	-	-	-
Interest and fiscal charges	24,380	-	-	-
Total governmental activities	3,784,015	141,898	14,588	154,531
Business-type activities				
Water	858,100	798,780	-	9,000
Sewer	1,014,094	871,795	-	4,000
Electric	7,058,404	7,437,794	-	-
Refuse	308,265	309,345	-	-
Other	147,707	80,572	-	-
Total business-type activities	9,386,570	9,498,286	-	13,000
Total	\$ 13,170,585	\$ 9,640,184	\$ 14,588	\$ 167,531

General receipts
 Property taxes levied for:
 General purposes
 Municipal income taxes
 Grants and entitlements not restricted to specific programs
 Note proceeds
 Interest
 Other
 Total general receipts

Change in net position

Net position at beginning of year

Net position at end of year

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (276,965)	\$ -	\$ (276,965)
(1,060,858)	-	(1,060,858)
(27,463)	-	(27,463)
(40,266)	-	(40,266)
(116,691)	-	(116,691)
(669,925)	-	(669,925)
(1,189,206)	-	(1,189,206)
(67,244)	-	(67,244)
(24,380)	-	(24,380)
<u>(3,472,998)</u>	<u>-</u>	<u>(3,472,998)</u>
-	(50,320)	(50,320)
-	(138,299)	(138,299)
-	379,390	379,390
-	1,080	1,080
-	(67,135)	(67,135)
-	124,716	124,716
<u>(3,472,998)</u>	<u>124,716</u>	<u>(3,348,282)</u>
608,414	-	608,414
1,503,356	-	1,503,356
267,975	-	267,975
163,297	-	163,297
69,848	3	69,851
252,185	-	252,185
<u>2,865,075</u>	<u>3</u>	<u>2,865,078</u>
(607,923)	124,719	(483,204)
<u>2,419,611</u>	<u>5,683,306</u>	<u>8,102,917</u>
<u>\$ 1,811,688</u>	<u>\$ 5,808,025</u>	<u>\$ 7,619,713</u>

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES -
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	General Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in pooled cash	\$ 262,993	\$ 775,139	\$ 773,556	\$ 1,811,688
Total assets	<u>\$ 262,993</u>	<u>\$ 775,139</u>	<u>\$ 773,556</u>	<u>\$ 1,811,688</u>
Fund balances				
Restricted	\$ -	\$ 775,139	\$ 773,556	\$ 1,548,695
Assigned	33,723	-	-	33,723
Unassigned	229,270	-	-	229,270
Total fund balances	<u>\$ 262,993</u>	<u>\$ 775,139</u>	<u>\$ 773,556</u>	<u>\$ 1,811,688</u>

See accompanying notes to the basic financial statements

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY

STATEMENT OF CASH RECEIPTS, DISBURSMENTS AND CHANGES IN CASH
BASIS FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2013

	General Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and other taxes	\$ 562,977	\$ -	\$ 45,437	\$ 608,414
Municipal income tax	1,127,517	375,839	-	1,503,356
Special assessments	-	49,227	69,270	118,497
Charges for services	163,827	742	-	164,569
Fines, licenses and permits	44,789	-	-	44,789
Intergovernmental	129,369	40,666	267,059	437,094
Interest	69,693	-	155	69,848
Contributions and donations	864	-	250	1,114
Miscellaneous	63,649	-	1,465	65,114
Total receipts	<u>2,162,685</u>	<u>466,474</u>	<u>383,636</u>	<u>3,012,795</u>
Disbursements				
Current				
General government	399,917	-	600	400,517
Security of persons and property	1,045,691	-	34,997	1,080,688
Public health services	4,775	-	24,153	28,928
Leisure time activities	46,776	-	-	46,776
Community environment	121,042	-	36	121,078
Transportation	678,650	-	105,140	783,790
Capital outlay	427,000	738,671	64,943	1,230,614
Debt service				
Principal	-	42,660	24,584	67,244
Interest and fiscal charges	-	21,445	2,935	24,380
Total disbursements	<u>2,723,851</u>	<u>802,776</u>	<u>257,388</u>	<u>3,784,015</u>
Excess of receipts over (under) disbursements	<u>(561,166)</u>	<u>(336,302)</u>	<u>126,248</u>	<u>(771,220)</u>
Other financing sources				
Note proceeds	-	163,297	-	163,297
Total other financing sources	<u>-</u>	<u>163,297</u>	<u>-</u>	<u>163,297</u>
Net change in fund balances	<u>(561,166)</u>	<u>(173,005)</u>	<u>126,248</u>	<u>(607,923)</u>
Fund balances at beginning of year, restated	<u>824,159</u>	<u>948,144</u>	<u>647,308</u>	<u>2,419,611</u>
Fund balances at end of year	<u>\$ 262,993</u>	<u>\$ 775,139</u>	<u>\$ 773,556</u>	<u>\$ 1,811,688</u>

See accompanying notes to the basic financial statements

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY

STATEMENT OF CASH RECEIPTS, DISBURSMENTS AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – BUDGET BASIS

FOR THE YEAR ENDED DECEMBER 31, 2013

	GENERAL FUND			Variance with Final Budget
	Original	Final	Actual	Positive Negative
Receipts				
Property and other taxes	\$ 300,913	\$ 610,913	\$ 562,977	\$ (47,936)
Municipal income tax	1,260,000	1,260,000	1,127,517	(132,483)
Charges for services	44,000	159,987	158,181	(1,806)
Fines, licenses and permits	33,500	43,300	44,789	1,489
Intergovernmental	403,752	83,967	129,369	45,402
Interest	64,000	64,000	62,814	(1,186)
Contributions and donations	1,500	1,500	864	(636)
Miscellaneous	51,000	51,000	63,649	12,649
Total receipts	<u>2,158,665</u>	<u>2,274,667</u>	<u>2,150,160</u>	<u>(124,507)</u>
Disbursements				
Current				
General government	430,998	439,726	412,377	27,349
Security of persons and property	1,002,156	1,051,256	1,046,452	4,804
Public health services	4,000	6,000	4,775	1,225
Leisure time activities	48,008	48,008	46,334	1,674
Community environment	114,223	128,096	125,022	3,074
Transportation	643,000	682,900	679,400	3,500
Total disbursements	<u>2,242,385</u>	<u>2,355,986</u>	<u>2,314,360</u>	<u>41,626</u>
Excess of receipts over (under) disbursements	<u>(83,720)</u>	<u>(81,319)</u>	<u>(164,200)</u>	<u>(82,881)</u>
Other financing sources				
Sale of capital assets	15,000	15,000	-	(15,000)
Total other financing sources	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>(15,000)</u>
Net change in fund balances	(68,720)	(66,319)	(164,200)	(97,881)
Prior year encumbrances appropriated	19,885	19,885	19,885	-
Fund balances at beginning of year	<u>355,559</u>	<u>355,559</u>	<u>355,559</u>	<u>-</u>
Fund balances at end of year	<u>\$ 306,724</u>	<u>\$ 309,125</u>	<u>\$ 211,244</u>	<u>\$ (97,881)</u>

See accompanying notes to the basic financial statements

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
STATEMENT OF FUND NET POSITION – CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2013

	Water Fund	Sewer Fund	Electric Fund	Other Enterprise Funds	Total Enterprise Funds
Assets					
Equity in pooled cash	\$ 200,688	\$ 490,351	\$ 4,814,231	\$ 302,755	\$ 5,808,025
Total assets	<u>\$ 200,688</u>	<u>\$ 490,351</u>	<u>\$ 4,814,231</u>	<u>\$ 302,755</u>	<u>\$ 5,808,025</u>
Net position					
Unrestricted	\$ 200,688	\$ 490,351	\$ 4,814,231	\$ 302,755	\$ 5,808,025
Total net position	<u>\$ 200,688</u>	<u>\$ 490,351</u>	<u>\$ 4,814,231</u>	<u>\$ 302,755</u>	<u>\$ 5,808,025</u>

See accompanying notes to the basic financial statements

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2013

	Water Fund	Sewer Fund	Electric Fund	Other Enterprise Funds	Total Enterprise Funds
Receipts					
Charges for services	\$ 789,201	\$ 862,301	\$ 7,357,871	\$ 389,917	\$ 9,399,290
Interest	-	-	-	3	3
Miscellaneous	9,579	9,494	79,923	-	98,996
Total receipts	<u>798,780</u>	<u>871,795</u>	<u>7,437,794</u>	<u>389,920</u>	<u>9,498,289</u>
Operating disbursements					
Personal services	409,789	424,009	656,312	-	1,490,110
Travel transportation	541	285	-	-	826
Contractual services	42,493	40,739	5,941,421	339,704	6,364,357
Materials and supplies	141,630	88,301	280,103	14,638	524,672
Capital outlay	57,999	84,868	180,568	101,630	425,065
Total operating disbursements	<u>652,452</u>	<u>638,202</u>	<u>7,058,404</u>	<u>455,972</u>	<u>8,805,030</u>
Operating income	<u>146,328</u>	<u>233,593</u>	<u>379,390</u>	<u>(66,052)</u>	<u>693,259</u>
Non-operating disbursements					
Principal paid	(90,477)	(211,854)	-	-	(302,331)
Interest and fiscal charges	(115,171)	(164,038)	-	-	(279,209)
Total non-operating disbursements	<u>(205,648)</u>	<u>(375,892)</u>	<u>-</u>	<u>-</u>	<u>(581,540)</u>
Income (loss) before contributions	<u>(59,320)</u>	<u>(142,299)</u>	<u>379,390</u>	<u>(66,052)</u>	<u>111,719</u>
Capital contributions - tap fees	<u>9,000</u>	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>13,000</u>
Change in net position	(50,320)	(138,299)	379,390	(66,052)	124,719
Net position at beginning of year	<u>251,008</u>	<u>628,650</u>	<u>4,434,841</u>	<u>368,807</u>	<u>5,683,306</u>
Net position at end of year	<u>\$ 200,688</u>	<u>\$ 490,351</u>	<u>\$ 4,814,231</u>	<u>\$ 302,755</u>	<u>\$ 5,808,025</u>

See accompanying notes to the basic financial statements

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
STATEMENT OF NET POSITION – CASH BASIS –
FIDUCIARY FUNDS
DECEMBER 31, 2013

Assets	<u>Agency</u>
Equity in pooled cash	<u>\$ 5,000</u>
Total assets	<u><u>\$ 5,000</u></u>
Net position	
Unrestricted	<u>\$ 5,000</u>
Total net position	<u><u>\$ 5,000</u></u>

See accompanying notes to the basic financial statements

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 1 – REPORTING ENTITY

The Village of Wellington, Lorain County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly elected six-member Council.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. PRIMARY GOVERNMENT

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water, sewer and electric utilities, maintenance of Village roads and bridges, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

B. COMPONENT UNITS

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. The Village has no component units.

C. JOINTLY GOVERNED ORGANIZATIONS

The Village is associated with the South Lorain County Ambulance District, Wellington Community Fire District, Wellington Union Cemetery and Wellington Community Improvement Corporation. These organizations and their relationships with the Village are described in more detail in Note 14 of these financial statements.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

D. JOINT VENTURE WITH EQUITY INTEREST

Ohio Municipal Electric Generation Agency Joint Venture 1 (Omega JV-1) – The Village is a participant with twenty-one subdivisions within the State of Ohio in a joint venture to provide supplemental reserve electric power to the participants on a cooperative basis. The Omega JV-1 was created for that purpose. The Omega JV-1 is managed by AMP-Ohio, which acts as the joint venture's agent. See Note 15 and Note 16 of these financial statements.

Ohio Municipal Electric Generation Agency Joint Venture 5 (Omega JV-5) – The Village is a participant with forty-two subdivisions within the State of Ohio in a joint venture to construct a hydroelectric plant and associated transmission facilities in West Virginia on the Ohio River at the Belleville Locks and Dam and receive electricity from its operation. The Omega JV-5 was created for that purpose. The Omega JV-5 is managed by AMP-Ohio, which acts as the joint venture agent. See Note 15 and Note 16 of these financial statements.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting.

A. BASIS OF PRESENTATION

The Village's basic financial statements consist of government-wide financial 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 Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements

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

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. FUND ACCOUNTING

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories, governmental, proprietary and fiduciary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the Village's major governmental funds:

General Fund - The General Fund 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 Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Capital Improvements Fund – This fund is used to account for proceeds of municipal income tax, general obligation notes and other grants or aid. The proceeds are used for various street improvement projects.

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

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service. The Village has no internal service funds.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the Village's major enterprise funds:

Water Fund - The water fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Fund - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Electric Fund – The electric fund accounts for the provision of electric services to the residents and commercial users within the Village.

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village has no trust funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village's agency funds include the Cable TV Escrow Fund and the Fire Loss Escrow Fund.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF ACCOUNTING

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. BUDGETARY PROCESS

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established to separately appropriate the amounts for each office, departments and division, and within each, the amount appropriated for personal services.

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

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

E. CASH AND INVESTMENTS

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Interest recorded to the General Fund during fiscal year 2013 amounted to \$ 69,693 which included \$ 64,868 assigned from other Village funds.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. CASH AND INVESTMENTS (continued)

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

Except for investment contracts and money market investments that had a maturity of one year or less at the time of purchase, investments are reported at fair value, which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

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. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2013.

F. RESTRICTED ASSETS

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Village had no restricted assets at year-end.

G. INVENTORY AND PREPAID ITEMS

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. CAPITAL ASSETS

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. INTERFUND RECEIVABLES/PAYABLES

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. EMPLOYER CONTRIBUTIONS TO COST-SHARING PENSION PLANS

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. LONG-TERM OBLIGATIONS

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

M. NET POSITION

Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position is available. As of December 31, 2013, restricted net position restricted by enabling legislation amounted to \$ 210,258.

N. FUND BALANCE

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

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or 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 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 - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Village Council. Those committed amounts cannot be used for any other purpose unless the Village Council 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 - Amounts in the assigned fund balance classification are intended to be used by the Village 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 the Village Council.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. FUND BALANCE (continued)

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

O. INTERFUND TRANSACTIONS

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement No. 61, "The Financial Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34". This Statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units (blending vs. discrete presentation, and certain disclosure requirements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2012. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the Village.

GASB Statement Number 65, "Items Previously Reported as Assets and Liabilities." This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 and have been implemented by the Village. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of the Village.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is that outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The following table summarizes the adjustments necessary to reconcile the cash basis statements to the budgetary basis statements for the General Fund.

	Net Change in Fund Balance
	General Fund
Budget basis	\$ (164,200)
Adjustments, increase (decrease):	
Encumbrances	18,026
Funds budgeted elsewhere **	(414,992)
Cash basis, as reported	\$ (561,166)

** As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a cash basis. This includes the Recreation Fund and the Railroad Grade Crossing Fund.

NOTE 5 – FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the

	General Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
Fund balances				
Restricted for:				
Capital projects	\$ -	\$ 775,139	\$ -	\$ 775,139
Debt service	-	-	210,258	210,258
Highways and streets	-	-	474,506	474,506
Security of persons and property	-	-	78,868	78,868
Other	-	-	9,924	9,924
	-	775,139	773,556	1,548,695
Assigned				
Recreation	26,659	-	-	26,659
Railroad grade crossing improvement	7,064	-	-	7,064
	33,723	-	-	33,723
Unassigned	229,270	-	-	229,270
Total fund balances	\$ 262,993	\$ 775,139	\$ 773,556	\$ 1,811,688

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 6 - DEPOSITS AND INVESTMENTS

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other 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 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 or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. 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; and
7. The State Treasurer's investment pool (STAR Ohio).

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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

At year end, the Village had \$ 400 in cash on hand which is included as part of "Equity in Pooled Cash".

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying amount of the Village's deposits was \$ 6,306,522, and the bank balance was \$ 6,374,184. Of the bank balance, \$ 2,100,041 was covered by federal depository insurance and \$ 4,274,143 was uninsured. Of the remaining balance, \$ 4,274,143 was collateralized with securities held by the pledging institution's trust department not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2013, the Village had the following investments:

	Weighted Average Maturities Years	Fair Value
STAROhio	n/a	\$ 1,279,303
Local government securities	n/a	38,488
		\$ 1,317,791

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village has no investment policy dealing with investment custodial risk beyond the requirements in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualifying trustee.

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village's investment policy addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio Law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Village has no investment policy that would further limit its investment choices.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

The Village places no limit on the amount that may be invested in any one issuer. The following is the Village's allocation as of December 31, 2013:

	Percentage of Investments
STAROhio	97.1%
Local government securities	2.9%

NOTE 7 - INCOME TAXES

The Village levies a one percent income tax whose proceeds are placed into the General Fund and Capital Improvements Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. Effective January 1, 2013, the Regional Income Tax Agency, also known as R.I.T.A., began collecting income taxes for the Village of Wellington.

NOTE 8 - PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2013 represent the collection of 2012 taxes. Real property taxes received in 2013 were levied after October 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 receipts received in 2013 represent the collection of 2011 taxes. Public utility real and tangible personal property taxes received in 2013 became a lien on December 31, 2012, were levied after October 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 is currently assessed at varying percentages of true value.

The full tax rate for all Village operations for the year ended December 31, 2013, was \$ 4.10 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2013 property tax receipts were based are as follows:

	2013 Collection Year
Property valuation consisted of:	
Real property	\$ 84,217,620
Public utility property	1,757,410
Total valuation	\$ 85,975,030

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 9 – RISK MANAGEMENT

The Village is exposed to various risk of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Village also provides health insurance, dental and vision coverage to full-time employees through the Lorain County Healthcare program. There have not been any significant reductions in insurance coverage from coverage in the prior year and the amounts of settlements have not exceeded coverage for any of the prior three years. The Village pays the State Workers' Compensation System a premium on a rate per \$ 100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

NOTE 10 – DEFINED BENEFIT PENSION PLANS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

The Traditional Pension Plan —a cost sharing, multiple-employer defined benefit pension plan.

The Member-Directed Plan —a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

The Combined Plan —a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member- Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or calling 614-222-5601 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2013 member contribution rates were 10.0% of covered payroll for members in state and local classifications. Public safety and law enforcement members contributed 12.0% and 12.6%, respectively. The 2013 contribution rate for state and local employers was 14.00% of covered payroll. The law enforcement and public safety division employer contribution rate was 18.1% of covered payroll.

The Village's contributions for pension obligations to the traditional, combined, and member directed plans for the year ended December 31, 2013, December 31, 2012, and December 31, 2011 were \$252,127, \$196,610, and \$196,590, respectively. For 2013, \$199,402 (79.1%) has been contributed. The full amount has been contributed for 2012 and 2011.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

B. OHIO POLICE AND FIRE PENSION FUND

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

From January 1, 2013 thru July 1, 2013, Plan members are required to contribute 10% of their annual covered salary. From July 2, 2013 thru December 31, 2013, plan members were required to contribute 10.75% of their annual covered salary. Throughout 2013, the Village was required to contribute 19.5% and 24% respectively for police officers. The Village's required contributions to the fund for the years ended December 31, 2013, 2012 and 2011 were \$53,060, \$ 41,963, and \$ 41,190, respectively. For 2013, \$42,454 (80%) has been contributed. The full amount has been contributed for 2012 and 2011. The Village has no firefighters.

NOTE 11 – POSTEMPLOYMENT BENEFITS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or calling 614-222-5601 or 1-800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 11 – POSTEMPLOYMENT BENEFITS (continued)

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 14.00% of covered payroll and public safety and law enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan and the Combined Plan was 1.0% during calendar year 2013. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions for post-employment benefits for the year ended December 31, 2013, December 31, 2012, and December 31, 2011 were \$19,386, \$ 78,968, and \$ 85,115, respectively. For 2013, \$ 15,332 (79.1%) has been contributed. The full amount has been contributed for 2012 and 2011.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning January 1, 2006, with a final rate increase January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

B. OHIO POLICE AND FIRE PENSION FUND

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at www.op-f.org.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 11 – POSTEMPLOYMENT BENEFITS (continued)

B. OHIO POLICE AND FIRE PENSION FUND (continued)

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 4.69% of covered payroll from January 1, 2013 thru May 31, 2013 and 2.85% of covered payroll from June 1, 2013 thru December 31, 2013. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The Village's contributions to fund postemployment healthcare were for the years ended December 31, 2013, December 31, 2012 and December 31, 2011 were \$12,099, \$ 22,216, and \$ 21,806 respectively. For 2013, \$10,286, (85%) has been contributed. The full amount has been contributed for 2012 and 2011.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 12 - DEBT

Changes in the Village's debt obligations during the year were as follows:

	Restated Outstanding 12/31/12	Additions	Reductions	Outstanding 12/31/13	Due In One Year
<u>Governmental activities</u>					
Special assessment bonds					
Street Improvements (1999) 6.0% through 2019	\$ 25,903	\$ -	\$ 3,078	\$ 22,825	\$ 3,265
Street Improvements (2000) 5.75% through 2020	13,576	-	1,384	12,192	1,464
Street Improvements (1993) Varying % through 2013	10,000	-	10,000	-	-
Total special assessment bonds	<u>49,479</u>	<u>-</u>	<u>14,462</u>	<u>35,017</u>	<u>4,729</u>
Ohio Public Works					
OPWC loan (2002) 0% through 2022	95,386	-	13,626	81,760	13,626
OPWC loan (2009) 0% through 2029	99,999	-	6,250	93,749	6,250
OPWC loan (2010) 0% through 2030	6,442	-	368	6,074	368
OPWC loan (2012) 0% through 2032	122,932	76,880	-	199,812	9,991
Total OPWC loans	<u>324,759</u>	<u>76,880</u>	<u>20,244</u>	<u>381,395</u>	<u>30,235</u>
Ohio Water Development Authority					
OWDA loan (2012) 2.58% through 2033	496,204	86,417	32,538	550,083	32,538
Total governmental activities	<u>\$ 870,442</u>	<u>\$ 163,297</u>	<u>\$ 67,244</u>	<u>\$ 966,495</u>	<u>\$ 67,502</u>

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 12 – DEBT (continued)

	Outstanding 12/31/12	Additions	Reductions	Outstanding 12/31/13	Due In One Year
<u>Business-type activities</u>					
Ohio Public Works					
OPWC loan (2002)					
0% through 2022	\$ 39,424	\$ -	\$ 4,150	\$ 35,274	\$ 4,150
OPWC loan (1999)					
0% through 2019	29,293	-	4,507	24,786	4,507
OPWC loan (2010)					
0% through 2030	62,037	-	3,649	58,388	3,649
Total OPWC loans	<u>130,754</u>	<u>-</u>	<u>12,306</u>	<u>118,448</u>	<u>12,306</u>
Ohio Water Development Authority					
OWDA loan (1999)					
6.32% through 2024	873,455	-	57,365	816,090	60,991
OWDA loan (1999)					
6.87% through 2024	496,992	-	48,668	448,324	52,011
OWDA loan (2000)					
5.86% through 2024	632,653	-	40,116	592,537	42,466
OWDA loan (2005)					
4.66% through 2025	1,564,664	-	99,938	1,464,726	104,649
OWDA loan (2006)					
4.59% through 2037	1,775,651	-	41,809	1,733,842	43,751
OWDA loan (2010)					
4.59% through 2030	36,198	-	2,129	34,069	2,129
Total OWDA loans	<u>5,379,613</u>	<u>-</u>	<u>290,025</u>	<u>5,089,588</u>	<u>305,997</u>
Total business-type activities	<u>\$ 5,510,367</u>	<u>\$ -</u>	<u>\$ 302,331</u>	<u>\$ 5,208,036</u>	<u>\$ 318,303</u>

The Special Assessment Bonds are for street reconstruction and improvement. The Ohio Water Development Authority (OWDA) loans relate to water, sewer and storm sewer projects. The Ohio Public Works Commission (OPWC) loans financed street improvements and waterline improvements and replacements. The loans will be repaid in semiannual installments, including interest, over a period of 20 to 30 years. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 12 – DEBT (continued)

The following is a summary of the Village's future annual debt service requirements:

Governmental Activities

Year	Special Assessment Bonds		OPWC loans	OWDA loans		Total	
	Principal	Interest	Principal	Principal	Interest	Principal	Interest
2014	\$ 4,729	\$ 2,070	\$ 30,235	\$ 32,538	\$ 14,055	\$ 67,502	\$ 16,125
2015	5,012	1,791	30,235	21,879	13,502	57,126	15,293
2016	5,312	1,494	30,235	22,447	12,934	57,994	14,428
2017	5,630	1,179	30,235	23,030	12,351	58,895	13,530
2018	5,965	845	30,235	23,628	11,753	59,828	12,598
2019 - 2023	8,369	610	96,670	127,669	49,236	232,708	49,846
2024 - 2028	-	-	83,043	145,128	31,777	228,171	31,777
2029 - 2032	-	-	50,507	153,764	11,930	204,271	11,930
	<u>\$ 35,017</u>	<u>\$ 7,989</u>	<u>\$ 381,395</u>	<u>\$ 550,083</u>	<u>\$ 157,538</u>	<u>\$ 966,495</u>	<u>\$ 165,527</u>

Business-type Activities

Year	OWDA loans		OPWC loans	Total	
	Principal	Interest	Principal	Principal	Interest
2014	\$ 305,997	\$ 263,238	\$ 12,306	\$ 318,303	\$ 263,238
2015	322,879	246,357	12,306	335,185	246,357
2016	340,721	228,514	12,306	353,027	228,514
2017	359,582	209,653	12,306	371,888	209,653
2018	379,520	189,715	12,306	391,826	189,715
2019 - 2023	1,973,125	624,617	35,024	2,008,149	624,617
2024 - 2028	590,871	244,258	18,246	609,117	244,258
2029 - 2033	476,259	140,058	3,648	479,907	140,058
2034 - 2036	340,634	27,879	-	340,634	27,879
	<u>\$ 5,089,588</u>	<u>\$ 2,174,289</u>	<u>\$ 118,448</u>	<u>\$ 5,208,036</u>	<u>\$ 2,174,289</u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 13 – CONTINGENT LIABILITIES

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

NOTE 14 – JOINTLY GOVERNED ORGANIZATIONS

A. SOUTH LORAIN COUNTY AMBULANCE DISTRICT

The Ambulance District is an ambulance district organized pursuant to Ohio Rev. Code Section 505.71 and is directed by an appointed seven-member Board of Trustees representing the Villages of Wellington and Brighton, Huntington, Penfield, Pittsfield, Rochester, and Wellington Townships. The Ambulance District provides emergency medical services to the residents within the Ambulance District which includes the Village. In 2013, the Village did not make any payments to the Ambulance District. Financial information can be obtained by contacting the Ambulance District at 179 East Herrick Avenue, Wellington, Ohio, 44090.

B. WELLINGTON COMMUNITY FIRE DISTRICT

The Fire District is a joint or community fire district organized pursuant to Ohio Rev. Code Section 505.371 and is directed by an appointed six-member Board of Trustees representing the Village of Wellington and Brighton, Huntington, Penfield, Pittsfield, and Wellington Townships. The Fire District provides fire protection and rescue services within the Fire District which includes the Village. In 2013, the Village did not make any payments to the Fire District. Financial information can be obtained by contacting the Fire District at 202 Kelly Street, Wellington, Ohio, 44090

C. WELLINGTON UNION CEMETERY

The Cemetery is a union cemetery organized pursuant to Ohio Rev. Code Section 759.27 and is directed by an appointed three-member Board of Trustees representing the Village of Wellington and Wellington Township. The Cemetery provides for the sale of burial lots, grave openings and closings, and the perpetual care of graves to residents of the Village and Township. The Cemetery operates and maintains the West Herrick Cemetery and Greenwood Cemetery, both located in the Village. In 2013, the Village paid \$ 25,629 to the Cemetery. Financial information can be obtained by contacting the Cemetery at 115 Willard Square, Wellington, Ohio, 44090.

D. WELLINGTON COMMUNITY IMPROVEMENT CORPORATION

The Wellington CIC is a community improvement corporation organized pursuant to Ohio Rev. Code Section 1724 and is directed by a seven-member Board of Trustees which includes the Village Mayor, Council President, and Village Administrator. The Wellington CIC coordinates community development activities within the Village. In 2013, the Village did not make any payments to the Wellington CIC. Financial information can be obtained by contacting the Wellington CIC at 115 Willard Square, Wellington, Ohio, 44090.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 15 – JOINT VENTURE WITH EQUITY INTEREST

A. OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 1 (OMEGA JV-1)

The Village is a participant with twenty-one subdivisions within the State of Ohio in this joint venture to provide supplemental reserve electric power to the participants on a cooperative basis. On dissolution of the joint venture, the net assets of Omega JV-1 will be shared by the participants on a percentage basis. The Omega JV-1 is managed by AMP-Ohio which acts as the joint venture's agent. The participants are obligated by the agreement to remit monthly costs incurred from using electricity generated by the joint venture. The Village's net investment and its share of the operating results of Omega JV-1 are reported in the Village's electric fund (an enterprise fund). The Village's equity interest in Omega JV-1 was \$ 12,491 at December 31, 2012 (the most recent information available). Complete financial statements for Omega JV-1 can be obtained from AMP-Ohio or from the Village's Finance Director.

B. OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 5 (OMEGA JV-5)

The Village of Wellington is a Financing Participant with an ownership percentage of 1.62%, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA JV5 Agreement, the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP-Ohio.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 participants.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2013 Wellington has met their debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the nondefaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such nondefaulting JV5 Participant's ownership share of the project prior to any such increases.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 15 – JOINT VENTURE WITH EQUITY INTEREST (continued)

B. OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 5 (OMEGA JV-5)

OMEGA JV5 is managed by AMP-Ohio, which acts as the joint venture's agent. During 1993 and 2001 AMP-Ohio issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2005 the 1993 Certificates were refunded by issuing 2005 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$ 34,951,833 from the periods 2006 through 2024.

The Village's net investment and its share of operating results of OMEGA JV5 are reported in the Village's electric fund (an enterprise fund). The Village's net investment to date in OMEGA JV5 was \$ 158,306 at December 31, 2012 (the most recent information available). Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

NOTE 16 – AMERICAN MUNICIPAL POWER GENERATING STATION PROJECT

The Village of Wellington is a participant in the American Municipal Power Generating Station Project (the "AMPGS Project"). The Village executed a take-or-pay contract on November 1, 2007 in order to participate in the AMPGS Project.

History of the AMPGS Project

In November 2009, the participants of the AMP Generating Station Project (the "AMPGS Project") voted to terminate the development of the pulverized coal power plant in Meigs County, Ohio. The AMPGS Project was to be a 1,000 MW base load, clean-coal technology plant scheduled to go on-line in 2014. At the termination date, minimal construction had been performed on the AMPGS Project at the Meigs County site.

At the same time, the participants voted to pursue conversion of the project to a Natural Gas Combined Cycle Plant (the "NGCC Plant") to be developed under a lump-sum-turn-key fixed-price contract that would be open to interested AMP members. The NGCC Plant was planned to be developed on the Meigs County site previously planned for the AMPGS project. In February 2011, development of the NGCC Plant was suspended due to the availability of purchasing the AMP Fremont Energy Center ("AFEC") at a favorable price. AMP intends to develop this site for the construction of a generating asset; however, at December 31, 2011 (the most recent information available), the type of generating asset had not been determined.

As mentioned above, the AMPGS project participants signed "take or pay" contracts with AMP. As such, the participants of the project are obligated to pay all costs incurred for the project. To date it has not been determined what those total final costs are for the project participants.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 16 – AMERICAN MUNICIPAL POWER GENERATING STATION PROJECT (continued)

As a result of these decisions to date, the AMPGS Project costs have been reclassified out of construction work-in-progress and into plant held for future use or regulatory assets in the combined balance sheet of AMP. AMP has reclassified \$ 34,881,075 of costs to plant held for future use as these costs were determined to be associated with the undeveloped Meigs County site regardless of the determination of which type of generating asset will be developed on the site. The remaining costs previously incurred were determined to be impaired but reclassified as a regulatory asset which is fully recoverable from the AMPGS Project participants as part of their unconditional obligation under the "take or pay" contract. At December 31, 2011, (the most recent information available), AMP had a regulatory asset of \$ 86,548,349 for the recovery of these abandoned construction costs. AMP is currently working with the AMPGS project participants to establish a formal plan for the recovery on a participant by participant basis.

At the request of the participants, on November 18, 2011 and December 13, 2011 AMP sent memos to AMPGS participants providing the participant's information identifying their potential AMPGS stranded cost liability and providing options for payment of those stranded costs. These memos were not invoices, but provided the participants with information which they could utilize in determining if they wanted to pay down a portion or all of the identified maximum exposure. AMP is holding the AMPGS Project stranded costs on its revolving credit facility and is accruing interest in addition to legal fees being incurred in its case with the EPC contractor. AMP would hold any payments received as a deposit in order to cease interest accruals on that portion paid.

Based on an allocation to Wellington of 7.955 kW and the allocation methodology, both approved as the same by the AMP Board of Trustees, as of December 31, 2011 the Village of Wellington had a potential stranded cost obligation of \$ 1,301,082 for the AMPGS Project. The Village of Wellington does not have any payments on deposit with AMP at December 31, 2011 (the most recent information available).

AMP Fremont Energy Center (AFEC) Development Fee

The AFEC Development Fee is the amount paid by AFEC participants to the AMPGS project as a Development Fee in August, 2011. AFEC participants are a separate group of AMP members that obtained financing for engineering, consulting and other development costs for expertise obtained by AMP for Natural Gas Combined Cycle power plants. This amount is financed by AMP, Inc. and is to be collected through debt service from AFEC participants. The Development Fee paid by all AFEC Participants is credited to the potential AMPGS costs of each AFEC participant that is also an AMPGS participant in proportion to their relative percentage of AFEC (but not less than zero) as approved by the AMP Board. The Village is a participant in the AFEC project and has received a credit to reduce its share of AMPGS potential stranded costs as noted below.

Based on the allocation methodology approved by the AMP Board of Trustees as mentioned above, the Village receives a credit of \$ 329,269 for being a participant in both projects. This credit is proportionate to its AFEC allocation kW share of 3,145 and the total kW share of those participating in both projects. The Village has recorded this credit in its financial statements as of December 31, 2011 through its appropriation for this liability.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 16 – AMERICAN MUNICIPAL POWER GENERATING STATION PROJECT (continued)

Recording of Stranded Costs

The Village has recorded stranded costs for the AMPGS Project.

The Village of Wellington has not requested an invoice from AMP for the potential stranded costs identified in the memos AMP sent in November and December of 2011. However, money for the stranded costs were appropriated but not encumbered in 2012. This appropriation was carried over to 2013 after approval by Council in December 2012. The Village is not intending to request a final accounting of expenses and possible additional credits from AMP until such time as the litigation with the EPC contractor is finalized.

Had the Village chosen to expense the potential stranded costs, the Village believes it would not have violated its covenant obligations for its Electric Fund bonds or its debt covenant obligation(s) with Ohio Municipal Electric Generation Agency (OMEGA) Joint Venture 5.

In making its determination as to how to proceed with the accounting treatment for the potential AMPGS Project liability, the Village has relied upon information provided by AMP and its legal counsel with respect to the data, as well as Village management.

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued.

NOTE 18– PRIOR PERIOD ADJUSTMENT

The beginning balances in the Capital Improvement Fund and Other Governmental Funds have been restated to correct for the recording of manuscript debt activity that was omitted in the 2012 financial statement. Beginning balances have been corrected to reflect a debt service payment from the Debt Service Fund, a non-major governmental fund, to the Capital Improvement Fund. The restatement is as follows:

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total
Fund balance at 12/31/2012				
As previously reported	\$ 824,159	\$ 941,353	\$ 654,099	\$ 2,419,611
Manuscript debt payment	-	6,791	(6,791)	-
As restated	<u>\$ 824,159</u>	<u>\$ 948,144</u>	<u>\$ 647,308</u>	<u>\$ 2,419,611</u>



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

July 13, 2015

Village of Wellington
Lorain County
115 Willard Memorial Square
Wellington, Ohio 44090

To the Village Council:

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, the business-type activities, each major fund, and the aggregate remaining fund information of the **Village of Wellington**, Lorain County, (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated July 13, 2015, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of audit findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a 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 Entity'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. We consider finding 2014-001 described in the accompanying schedule of audit findings to be a material weakness

...“bringing more to the table”

Tax - Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll – Litigation Support
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Compliance and Other Matters

As part of reasonably assuring whether the Village'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*.

We noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 13, 2015.

Village's Response to Finding

The Village's response to the finding identified in our audit is described in the accompanying schedule of audit findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

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 Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF WELLINGTON
LORAIN COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-001

Material Weakness

Posting Receipts and Disbursements

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code.

During 2014 and 2013, receipts were not always classified correctly. The following errors were noted:

- The Village recorded debt proceeds for a new OPWC loan as Intergovernmental instead of Debt Proceeds in the Capital Improvements Fund in 2014.
- Fees charged to the Village's enterprise funds per the Village's Ordinance were recorded as Payments in Lieu of Taxes instead of Charges for Services in the General Fund in 2014 and 2013.

Not posting receipts resulted in the financial statements requiring reclassifications. The financial statements reflect these material reclassifications.

During 2014 and 2013, we noted the following receipts and disbursements were not properly classified, however, were immaterial to the financial statements and were not reclassified:

- D.A.R.E. receipts from the State of Ohio were recorded as Miscellaneous in the General Fund instead of Intergovernmental in 2013.
- Liquor and beer permit receipts from the State of Ohio were recorded as Fines, Licenses and Permits in the General Fund instead of Intergovernmental in 2014 and 2013.
- The sale of a 1997 water truck was recorded as Miscellaneous in the Water Fund instead of Sale of Fixed Assets in 2014.
- Debt principal and interest payments in relation to an OWDA Sewer Loan that was completed in 2013 were paid from the Capital Improvements Fund instead of from the Sewer Fund in 2014.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of receipts and disbursements are properly identified and classified on the financial statements.

We also recommend the Finance Director refer to Ohio Administrative Code and/or the Ohio Village Handbook for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements.

Officials' Response –

- *"The Village recorded debt proceeds for a new OPWC loan as Intergovernmental instead of Debt Proceeds in the Capital Improvements Fund."*

Officials' response: This OPWC loan was not finalized until 2015. At the time the financial statements were prepared this loan was not listed as such on the OPWC website. The Village did record a receipt for this amount and the net impact on fund balance was zero. This was reclassified via an Audit Adjustment.

VILLAGE OF WELLINGTON
LORAIN COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-001 (Continued)

Material Weakness (Continued)

Posting Receipts and Disbursements (Continued)

Officials' Response (Continued)

- *"Fees charged to the Village's enterprise funds per the Village's Ordinance were recorded as Payments in Lieu of Taxes instead of Charges for Services in the General Fund."*

Officials' response: Per Village Ordinance 2013-20 and Chapter 931 of the Codified Ordinances the fees were recorded per the wording in these documents i.e. Payment in Lieu of Taxes.

- *"D.A.R.E. receipts from the State of Ohio were recorded as Miscellaneous in the General Fund instead of Intergovernmental in 2013."*

Officials' response: This is historically how these items have been classified. In future years, these line items will be shown as Intergovernmental Revenue. Per your findings, this was not a material item.

- *"Liquor and beer permit receipts from the State of Ohio were recorded as Fines, Licenses and Permits in the General Fund instead of Intergovernmental in 2014 and 2013. "*

Officials' response: This is historically how these items have been classified. In future years, these line items will be shown as Intergovernmental Revenue. Per your findings, this was not a material item.

- *"The sale of a 1997 water truck was recorded as Miscellaneous in the Water Fund instead of Sale of Fixed Assets in 2014."*

Officials' response: This was incorrectly posted and will not happen again in the future. Per your findings, this was not a material item.

- *Debt principal and interest payments in relation to an OWDA Sewer Loan that was completed in 2013 were paid from the Capital Improvements Fund instead of from the Sewer Fund in 2014.*

Officials' response: ORC 133.01 (CC) defines "permanent improvements". The cost of these permanent improvements may be paid from a capital projects fund. It is a generally accepted practice that the payment of debt service of permanent improvement debt obligations constitutes the payment of the cost of the permanent improvements over time. Accordingly, the payment of debt service for permanent improvements from the capital projects fund would not be prohibited. See also Ohio Attorney General Opinion 1963-116. It follows that the proceeds from the refinancing of a permanent improvement issue into the capital projects fund to pay off an existing permanent improvement obligation would not be prohibited. The payment of debt service of permanent improvement obligations is a past practice of the Village. Per your findings, this was not a material item.



Dave Yost • Auditor of State

VILLAGE OF WELLINGTON

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
NOVEMBER 17, 2015