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*ALGER & ASSOCIATES, Inc.*



*PROFESSIONAL FINANCIAL AND COMPLIANCE AUDIT SERVICES*

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VILLAGE OF WELLINGTON

LORAIN COUNTY, OHIO

**A&A**  
*REGULAR AUDIT*

For the Years Ended

December 31, 2016 and 2015

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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 Alger & Associates, Inc., for the audit period January 1, 2015 through December 31, 2016. 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

May 31, 2017

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VILLAGE OF WELLINGTON  
LORAIN COUNTY

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# ALGER & ASSOCIATES, Inc.

Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

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

We have audited the accompanying cash-basis 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, 2016 and 2015, 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.

### **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 (the Village), as of and for the years ended December 31, 2016 and 2015, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund and the Street Construction and Maintenance Fund (SCMR) thereof 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 & Analysis, as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2017, 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.

Alger and  
Associates Inc

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Associates Inc  
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Alger & Associates, Inc.  
Certified Public Accountants  
North Canton, Ohio  
April 14, 2017



VILLAGE OF WELLINGTON  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016, 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 2016 are as follows

The net position of governmental activities increased \$ 567,879 or 22.2 percent from 2015. This was the result of increases of \$ 183,449 in the General Fund, \$ 61,237 in the Street Construction and Maintenance Fund (SCMR), \$ 304,143 in the Capital Improvements Fund and \$ 19,050 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 50.9 percent and 18.4 percent of the total cash received for governmental activities during the year.

The net position of business-type activities decreased \$ 1,492,694 from 2015. Net position in the Sewer Fund and Electric Fund decreased by \$ 94,499 and \$ 1,572,516, respectively. Net position in the Water Fund and Other Enterprise Funds increased by \$ 153,068 and \$ 21,253, respectively.

**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  
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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 – Cash Basis and the Statement of Activities – Cash Basis reflect how the Village did financially during 2016, 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, 2016

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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, SCMR 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 2016 compared to 2015 on a cash basis:

**Table 1  
Net Position**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Assets</b>						
Equity in pooled cash	\$ 3,122,529	\$ 2,554,650	\$ 3,889,549	\$ 5,382,242	\$ 7,012,078	\$ 7,936,892
<b>Total assets</b>	<u>\$ 3,122,529</u>	<u>\$ 2,554,650</u>	<u>\$ 3,889,549</u>	<u>\$ 5,382,242</u>	<u>\$ 7,012,078</u>	<u>\$ 7,936,892</u>
<b>Net position</b>						
Restricted for:						
Capital projects	\$ 1,353,958	\$ 1,049,815	\$ -	\$ -	\$ 1,353,958	\$ 1,049,815
Debt service	195,754	218,824	-	-	195,754	218,824
Other	795,323	691,966	-	-	795,323	691,966
Unrestricted	<u>777,494</u>	<u>594,045</u>	<u>3,889,549</u>	<u>5,382,242</u>	<u>4,667,043</u>	<u>5,976,287</u>
<b>Total net position</b>	<u>\$ 3,122,529</u>	<u>\$ 2,554,650</u>	<u>\$ 3,889,549</u>	<u>\$ 5,382,242</u>	<u>\$ 7,012,078</u>	<u>\$ 7,936,892</u>

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

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As mentioned previously, the net position of governmental activities increased \$ 567,879 or 22.2 percent during 2016.

Table 2 reflects the changes in net position in 2016 compared to 2015 on a cash basis.

**Table 2**  
**Change in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Receipts						
Program receipts						
Charges for services	\$ 128,005	\$ 159,299	\$ 10,493,051	\$ 9,956,055	\$ 10,621,056	\$ 10,115,354
Operating grants and contributions	61,738	20,564	-	-	61,738	20,564
Capital grants and contributions	56,997	335,579	58,949	113,522	115,946	449,101
Total program receipts	<u>246,740</u>	<u>515,442</u>	<u>10,552,000</u>	<u>10,069,577</u>	<u>10,798,740</u>	<u>10,585,019</u>
General receipts						
Property and other local taxes	673,372	623,698	-	-	673,372	623,698
Municipal income taxes	1,864,603	1,711,961	-	-	1,864,603	1,711,961
Grants and entitlements	296,900	277,880	-	-	296,900	277,880
Loan proceeds	-	112,614	10,649	357,048	10,649	469,662
Interest	37,210	35,776	36	5	37,246	35,781
Other	544,277	563,315	-	-	544,277	563,315
Total general receipts	<u>3,416,362</u>	<u>3,325,244</u>	<u>10,685</u>	<u>357,053</u>	<u>3,427,047</u>	<u>3,682,297</u>
Total receipts	<u>3,663,102</u>	<u>3,840,686</u>	<u>10,562,685</u>	<u>10,426,630</u>	<u>14,225,787</u>	<u>14,267,316</u>

(continued on next page)

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

UNAUDITED

**Table 2**  
**Change in Net Position**  
(Concluded)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Program cash disbursements						
General government	\$ 658,517	\$ 715,830	\$ -	\$ -	\$ 658,517	\$ 715,830
Security of persons and property	1,151,747	1,124,692	-	-	1,151,747	1,124,692
Public health services	29,658	27,644	-	-	29,658	27,644
Leisure time activities	64,299	66,005	-	-	64,299	66,005
Community environment	120,716	118,002	-	-	120,716	118,002
Transportation	756,720	750,091	-	-	756,720	750,091
Capital outlay	266,491	678,234	-	-	266,491	678,234
Principal	43,625	35,249	-	-	43,625	35,249
Interest and fiscal charges	3,450	6,773	-	-	3,450	6,773
Water	-	-	766,404	946,159	766,404	946,159
Sewer	-	-	1,039,033	1,457,620	1,039,033	1,457,620
Electric	-	-	9,872,683	7,941,331	9,872,683	7,941,331
Refuse	-	-	322,180	317,569	322,180	317,569
Other	-	-	55,079	89,572	55,079	89,572
Total program cash disbursements	<u>3,095,223</u>	<u>3,522,520</u>	<u>12,055,379</u>	<u>10,752,251</u>	<u>15,150,602</u>	<u>14,274,771</u>
Increase (decrease) in net position	567,879	318,166	(1,492,694)	(325,621)	(924,815)	(7,455)
Net position, at beginning of year	<u>2,554,650</u>	<u>2,236,484</u>	<u>5,382,243</u>	<u>5,707,863</u>	<u>7,936,893</u>	<u>7,944,347</u>
Net position, at end of year	<u>\$ 3,122,529</u>	<u>\$ 2,554,650</u>	<u>\$ 3,889,549</u>	<u>\$ 5,382,242</u>	<u>\$ 7,012,078</u>	<u>\$ 7,936,892</u>

**Governmental Activities**

Program receipts represent 6.7 percent of total receipts and are comprised of charges for services, operating and capital grants and contributions.

General receipts represent 93.3 percent of the Village's total receipts of governmental activities, and of this amount, 74.3 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 clerk-treasurer 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, 2016

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 37.2 percent, 24.4 percent, 21.3 percent, and 8.6 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	\$ 658,517	\$ 545,410
Security of persons and property	1,151,747	1,126,900
Public health services	29,658	28,426
Leisure time activities	64,299	57,814
Community environment	120,716	76,946
Transportation	756,720	700,251
Capital outlay	266,491	265,661
Principal	43,623	43,623
Interest and fiscal charges	3,452	3,452
Total governmental activities	\$ 3,095,223	\$ 2,848,483

The dependence upon property and income tax receipts is apparent as 68.3 percent of governmental activities are supported through these general receipts.

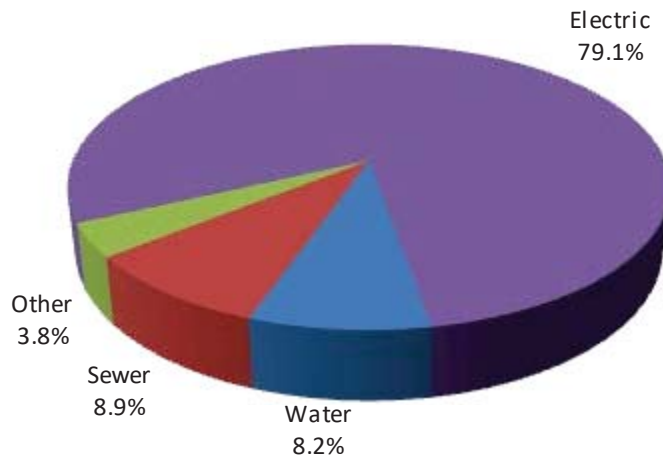
VILLAGE OF WELLINGTON  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

UNAUDITED

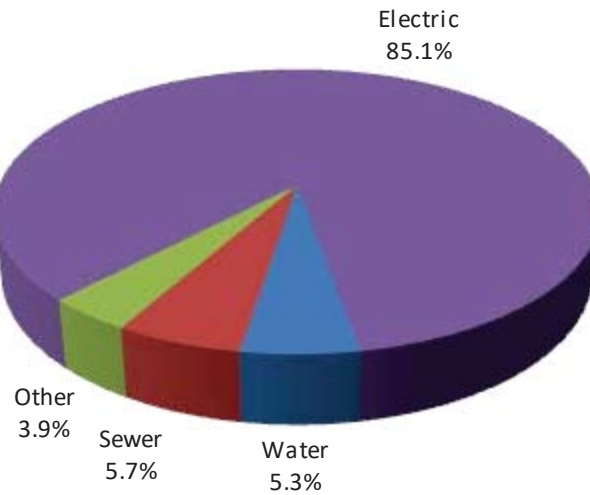
**Business-type Activities**

Charges for services is the primary source of receipts for the business-type activities. Program cash receipts were \$ 482,423 higher in 2016.

**Receipts, Business-type Activities**



**Operating 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 \$ 3,663,102 and disbursements of \$ 3,095,223. The fund balances of the General Fund, SCMR Fund, Capital Improvements Fund and Other Governmental Funds increased by \$ 183,449, \$ 61,237, \$ 304,143 and \$ 19,050, respectively.

**Major 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

During 2016, the Village amended its General Fund budget to reflect changing circumstances. Final budgeted receipts were \$ 77,050 higher than original budgeted receipts. Actual receipts were more than the final budgeted amount by \$ 41,839. Final disbursements were budgeted at \$ 2,775,466 which was \$ 12,146 higher than original appropriations. Actual disbursements were \$ 106,711 less than the final budgeted amount.

During 2016, the Village amended its SCMR Fund budget to reflect changing circumstances. Final and original budgeted receipts were \$ 152,500. Actual receipts were more than the final budgeted amount by \$ 21,609. Final disbursements were \$ 30,100 higher than original appropriations. Actual disbursements were \$ 32,925 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	
	2016	2015	2016	2015	2016	2015
Bonds						
Special assessment	\$ 19,964	\$ 25,276	\$ -	\$ -	\$ 19,964	\$ 25,276
OPWC loans	375,383	408,539	254,980	263,002	630,363	671,541
OWDA loans *	133,376	138,533	4,984,529	5,373,798	5,117,905	5,512,331
Note payable	25,000	25,000	-	-	25,000	25,000
	<u>\$ 553,723</u>	<u>\$ 597,348</u>	<u>\$ 5,239,509</u>	<u>\$ 5,636,800</u>	<u>\$ 5,793,232</u>	<u>\$ 6,234,148</u>

\* A portion of an OWDA loan that had previously been reflected as Governmental Activities has been reclassified to Business-type activities to better present the purpose of the loan.

The special assessment bonds are for street improvements. OPWC loans financed street and waterline improvements and replacements. The OWDA loans relate to water, sewer and storm sewer projects. For further information regarding the Village's debt, refer to Note 10 to the basic financial statements.



VILLAGE OF WELLINGTON  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

UNAUDITED

**Current Issues**

**Traffic Signal Project – Herrick and Main Street**

In 2015, the Village entered into a cooperative agreement with Ohio Department of Transportation to improve the intersection and traffic signals at the corner of Main and Herrick Streets. The project was completed in 2016 and features new signals with a dedicated left turn arrow, traffic sensors to control and improve traffic flow, emergency vehicle detection and pedestrian-activated crossing signals. Ohio Department of Transportation Safety Funds paid the majority of the costs of this improvement project.

**Electric Substation**

Construction of the new electric substation at Erie Street was substantially complete in 2016. The new substation will provide 20 MVA of distribution capacity to a significant portion of the community offering enhanced reliability and additional capacity for future load growth. The substation is expected to be placed in service mid-2017.

**Adams Street Construction Project**

Planning and design work continued on the proposed Adams Street Construction Project during 2016. The proposed project will include total street replacement as well as the construction and reconstruction of waterlines, branch storm sewers, sanitary sewers, manholes, catch basins, pavements, sidewalks, curb ramps and driveway approaches where necessary. The project is to be funded through a combination of OPWC grant/loans, Ohio EPA DEFA loans and property assessments. Construction is expected to commence in mid-2017.

**Rate Study**

In late 2016, the Village engaged Poggemeyer Design Group for professional engineering services to perform a utility rate study for the Water, Wastewater and Storm water utilities. The rate study will review historical and projected operations/maintenance expenses, debt service requirements and future capital infrastructure needs to determine revenue requirements and rate adjustments over the next 5 years necessary to ensure financial stability of the utility operations. The study is expected to be completed by second quarter of 2017.

**Change in Political Leadership**

In January of 2016, Mayor Hans Schneider replaced Mayor Barbara O'Keefe who retired after 25 years of service. Gene Hartman was appointed to Village Council to fill Mr. Schneider's unexpired term. Steve Maurer chose to not seek re-election and Mark Bughman was elected to Council. Remaining council members include Helen Dronsfield, Sandy Denes, Keith Rowland, and Guy Wells.

**Change in Upper Management**

In 2016, Village Manager Steve Pyles tendered his resignation to relocate to Granville, Ohio. Mark Rosemark, a 38 year veteran employee of the Village and current water/sewer superintendent served as interim village manager. Upon Village Council confirmation, the Mayor appointed Steve Dupee as the new Village Manager effective November 30, 2016. Mr. Dupee comes to the Village from the City of Oberlin where he served 24 years.

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

UNAUDITED

**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 Vanya Hales, 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, 2016

	Governmental Activities	Business-type Activities	Total
Assets			
Equity in pooled cash	\$ 3,122,529	\$ 3,889,549	\$ 7,012,078
Total assets	\$ 3,122,529	\$ 3,889,549	\$ 7,012,078
Net position			
Restricted for:			
Capital projects	\$ 1,353,958	\$ -	\$ 1,353,958
Debt service	195,754	-	195,754
Highw ays and streets	501,043	-	501,043
Security of persons and property	283,940	-	283,940
Other	10,340	-	10,340
Unrestricted	777,494	3,889,549	4,667,043
Total net position	\$ 3,122,529	\$ 3,889,549	\$ 7,012,078

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, 2016

	Cash Disbursements	Program Cash Receipts		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Current				
General government	\$ 658,517	\$ 112,907	\$ 200	\$ -
Security of persons and property	1,151,747	8,219	16,628	-
Public health services	29,658	1,232	-	-
Leisure time activities	64,299	5,345	1,140	-
Community environment	120,716	-	43,770	-
Transportation	756,720	-	-	56,469
Capital outlay	266,491	302	-	528
Debt service				
Principal	43,623	-	-	-
Interest and fiscal charges	3,452	-	-	-
Total governmental activities	<u>3,095,223</u>	<u>128,005</u>	<u>61,738</u>	<u>56,997</u>
Business-type activities				
Water	766,404	863,485	-	45,338
Sewer	1,039,033	930,923	-	13,611
Electric	9,872,683	8,300,167	-	-
Refuse	322,180	316,079	-	-
Other	55,079	82,397	-	-
Total business-type activities	<u>12,055,379</u>	<u>10,493,051</u>	<u>-</u>	<u>58,949</u>
Total	<u>\$ 15,150,602</u>	<u>\$ 10,621,056</u>	<u>\$ 61,738</u>	<u>\$ 115,946</u>

General receipts  
 Property taxes levied for:  
   General purposes  
   Municipal income taxes  
 Grants and entitlements not restricted to specific programs  
 Loan 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
\$ (545,410)	\$ -	\$ (545,410)
(1,126,900)	-	(1,126,900)
(28,426)	-	(28,426)
(57,814)	-	(57,814)
(76,946)	-	(76,946)
(700,251)	-	(700,251)
(265,661)	-	(265,661)
(43,623)	-	(43,623)
(3,452)	-	(3,452)
<u>(2,848,483)</u>	<u>-</u>	<u>(2,848,483)</u>
-	142,419	142,419
-	(94,499)	(94,499)
-	(1,572,516)	(1,572,516)
-	(6,101)	(6,101)
-	27,318	27,318
-	<u>(1,503,379)</u>	<u>(1,503,379)</u>
<u>(2,848,483)</u>	<u>(1,503,379)</u>	<u>(4,351,862)</u>
673,372	-	673,372
1,864,603	-	1,864,603
296,900	-	296,900
-	10,649	10,649
37,210	36	37,246
544,277	-	544,277
<u>3,416,362</u>	<u>10,685</u>	<u>3,427,047</u>
567,879	(1,492,694)	(924,815)
<u>2,554,650</u>	<u>5,382,243</u>	<u>7,936,893</u>
<u>\$ 3,122,529</u>	<u>\$ 3,889,549</u>	<u>\$ 7,012,078</u>

VILLAGE OF WELLINGTON, OHIO  
LORAIN COUNTY  
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES -  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016

	<u>General Fund</u>	<u>SCMR Fund</u>	<u>Capital Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in pooled cash	\$ 777,494	\$ 468,632	\$ 1,353,958	\$ 522,445	\$ 3,122,529
Total assets	<u>\$ 777,494</u>	<u>\$ 468,632</u>	<u>\$ 1,353,958</u>	<u>\$ 522,445</u>	<u>\$ 3,122,529</u>
Fund balances					
Restricted	\$ -	\$ 468,632	\$ 1,353,958	\$ 522,445	\$ 2,345,035
Assigned	64,098	-	-	-	64,098
Unassigned	713,396	-	-	-	713,396
Total fund balances	<u>\$ 777,494</u>	<u>\$ 468,632</u>	<u>\$ 1,353,958</u>	<u>\$ 522,445</u>	<u>\$ 3,122,529</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, 2016

	General Fund	SCMR Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property and other taxes	\$ 621,117	\$ -	\$ -	\$ 52,255	\$ 673,372
Municipal income tax	1,398,469	-	466,134	-	1,864,603
Special assessments	-	1,446	40,755	13,971	56,172
Charges for services	520,309	-	302	-	520,611
Fines, licenses and permits	34,389	-	-	-	34,389
Intergovernmental	167,176	168,863	-	79,596	415,635
Interest	33,410	3,800	-	-	37,210
Contributions and donations	17,768	-	-	200	17,968
Miscellaneous	41,910	-	-	1,232	43,142
<b>Total receipts</b>	<u>2,834,548</u>	<u>174,109</u>	<u>507,191</u>	<u>147,254</u>	<u>3,663,102</u>
<b>Disbursements</b>					
<b>Current</b>					
General government	657,517	-	-	1,000	658,517
Security of persons and property	1,129,647	-	-	22,100	1,151,747
Public health services	3,575	-	-	26,083	29,658
Leisure time activities	64,299	-	-	-	64,299
Community environment	120,644	-	-	72	120,716
Transportation	675,417	46,095	-	35,208	756,720
Capital outlay	-	56,743	203,048	6,700	266,491
Debt service					
Principal	-	8,078	-	35,547	43,625
Interest and fiscal charges	-	1,956	-	1,494	3,450
<b>Total disbursements</b>	<u>2,651,099</u>	<u>112,872</u>	<u>203,048</u>	<u>128,204</u>	<u>3,095,223</u>
<b>Net change in fund balances</b>	183,449	61,237	304,143	19,050	567,879
<b>Fund balances at beginning of year</b>	<u>594,045</u>	<u>407,395</u>	<u>1,049,815</u>	<u>503,395</u>	<u>2,554,650</u>
<b>Fund balances at end of year</b>	<u>\$ 777,494</u>	<u>\$ 468,632</u>	<u>\$ 1,353,958</u>	<u>\$ 522,445</u>	<u>\$ 3,122,529</u>

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON, OHIO  
LORAIN COUNTY

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

FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and other taxes	\$ 612,461	\$ 612,461	\$ 621,117	\$ 8,656
Municipal income tax	1,360,000	1,360,000	1,398,469	38,469
Charges for services	480,410	557,460	514,464	(42,996)
Fines, licenses and permits	40,000	40,000	34,389	(5,611)
Intergovernmental	120,773	120,773	167,176	46,403
Interest	30,000	30,000	33,410	3,410
Contributions and donations	14,670	14,670	17,768	3,098
Miscellaneous	49,000	49,000	41,910	(7,090)
<b>Total receipts</b>	<u>2,707,314</u>	<u>2,784,364</u>	<u>2,828,703</u>	<u>44,339</u>
<b>Disbursements</b>				
<b>Current</b>				
General government	763,300	772,146	666,396	105,750
Security of persons and property	1,137,520	1,138,520	1,136,269	2,251
Public health services	3,500	3,500	3,610	(110)
Leisure time activities	62,800	62,800	61,001	1,799
Community environment	132,200	134,500	122,582	11,918
Transportation	664,000	664,000	678,897	(14,897)
<b>Total disbursements</b>	<u>2,763,320</u>	<u>2,775,466</u>	<u>2,668,755</u>	<u>106,711</u>
Excess of receipts over (under) disbursements	<u>(56,006)</u>	<u>8,898</u>	<u>159,948</u>	<u>151,050</u>
<b>Other financing sources</b>				
Sale of capital assets	<u>2,500</u>	<u>2,500</u>	<u>-</u>	<u>(2,500)</u>
<b>Total other financing sources</b>	<u>2,500</u>	<u>2,500</u>	<u>-</u>	<u>(2,500)</u>
<b>Net change in fund balances</b>	<u>(53,506)</u>	<u>11,398</u>	<u>159,948</u>	<u>148,550</u>
Prior year encumbrances appropriated	36,033	36,033	36,033	-
Fund balances at beginning of year	<u>517,415</u>	<u>517,415</u>	<u>517,415</u>	<u>-</u>
<b>Fund balances at end of year</b>	<u>\$ 499,942</u>	<u>\$ 564,846</u>	<u>\$ 713,396</u>	<u>\$ 148,550</u>

See accompanying notes to the basic financial statements.



VILLAGE OF WELLINGTON, OHIO  
LORAIN COUNTY

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

FOR THE YEAR ENDED DECEMBER 31, 2016

	SCMR FUND			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Receipts				
Special assessments	\$ -	\$ -	\$ 1,446	\$ 1,446
Intergovernmental	152,000	152,000	168,863	16,863
Interest	500	500	3,800	3,300
Total receipts	<u>152,500</u>	<u>152,500</u>	<u>174,109</u>	<u>21,609</u>
Disbursements				
Current				
Transportation	89,200	89,200	71,622	17,578
Capital outlay	55,000	75,000	59,719	15,281
Debt service				
Principal	-	8,100	8,078	22
Interest and fiscal charges	-	2,000	1,956	44
Total disbursements	<u>144,200</u>	<u>174,300</u>	<u>141,375</u>	<u>32,925</u>
Net change in fund balances	8,300	(21,800)	32,734	54,534
Prior year encumbrances appropriated	12,587	12,587	12,587	-
Fund balances at beginning of year	<u>394,808</u>	<u>394,808</u>	<u>394,808</u>	-
Fund balances at end of year	<u>\$ 415,695</u>	<u>\$ 385,595</u>	<u>\$ 440,129</u>	<u>\$ 54,534</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, 2016

	<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>\$ 284,371</u>	<u>\$ 146,282</u>	<u>\$ 3,170,582</u>	<u>\$ 288,314</u>	<u>\$ 3,889,549</u>
Total assets	<u>\$ 284,371</u>	<u>\$ 146,282</u>	<u>\$ 3,170,582</u>	<u>\$ 288,314</u>	<u>\$ 3,889,549</u>
Net position					
Unrestricted	<u>\$ 284,371</u>	<u>\$ 146,282</u>	<u>\$ 3,170,582</u>	<u>\$ 288,314</u>	<u>\$ 3,889,549</u>
Total net position	<u>\$ 284,371</u>	<u>\$ 146,282</u>	<u>\$ 3,170,582</u>	<u>\$ 288,314</u>	<u>\$ 3,889,549</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, 2016

	Water Fund	Sewer Fund	Electric Fund	Other Enterprise Funds	Total Enterprise Funds
<b>Receipts</b>					
Charges for services	\$ 855,700	\$ 921,633	\$ 8,261,156	\$ 398,476	\$ 10,436,965
Interest	-	-	-	36	36
Miscellaneous	7,785	9,290	39,011	-	56,086
Total receipts	<u>863,485</u>	<u>930,923</u>	<u>8,300,167</u>	<u>398,512</u>	<u>10,493,087</u>
<b>Operating disbursements</b>					
Personal services	343,820	401,459	696,309	-	1,441,588
Travel transportation	815	440	5,198	-	6,453
Contractual services	37,643	33,878	6,871,101	347,165	7,289,787
Materials and supplies	123,494	116,150	535,419	29,374	804,437
Total operating disbursements	<u>505,772</u>	<u>551,927</u>	<u>8,108,027</u>	<u>376,539</u>	<u>9,542,265</u>
Operating income	<u>357,713</u>	<u>378,996</u>	<u>192,140</u>	<u>21,973</u>	<u>950,822</u>
<b>Non-operating receipts (disbursements)</b>					
Loan proceeds	10,649	-	-	-	10,649
Intergovernmental	31,057	-	-	-	31,057
Special assessments	781	4,611	-	-	5,392
Capital outlay	(80,198)	(94,267)	(1,764,656)	(720)	(1,939,841)
Principal paid	(111,280)	(296,660)	-	-	(407,940)
Interest and fiscal charges	(69,154)	(96,179)	-	-	(165,333)
Total non-operating receipts (disbursements)	<u>(218,145)</u>	<u>(482,495)</u>	<u>(1,764,656)</u>	<u>(720)</u>	<u>(2,466,016)</u>
Loss before contributions	<u>139,568</u>	<u>(103,499)</u>	<u>(1,572,516)</u>	<u>21,253</u>	<u>(1,515,194)</u>
Capital contributions - tap fees	<u>13,500</u>	<u>9,000</u>	<u>-</u>	<u>-</u>	<u>22,500</u>
Change in net position	153,068	(94,499)	(1,572,516)	21,253	(1,492,694)
Net position at beginning of year	<u>131,303</u>	<u>240,781</u>	<u>4,743,098</u>	<u>267,061</u>	<u>5,382,243</u>
Net position at end of year	<u>\$ 284,371</u>	<u>\$ 146,282</u>	<u>\$ 3,170,582</u>	<u>\$ 288,314</u>	<u>\$ 3,889,549</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, 2016

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, 2016

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 12 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 13 and Note 14 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 13 and Note 14 of these financial statements.

VILLAGE OF WELLINGTON, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016

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.

Street Construction and Maintenance Fund (SCMR) – This fund accounts for the portion of State gasoline tax and motor vehicle registration fees designated for maintenance and repair of roadways within the Village.

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, 2016

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 2016 amounted to \$ 33,410 which included \$ 30,096 assigned from other Village funds.



VILLAGE OF WELLINGTON, OHIO  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

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.

The Village has invested in the State Treasury Asset Reserve of Ohio (STAR Ohio) during the year. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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 15 and 16, 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, 2016

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, 2016, restricted net position restricted by enabling legislation amounted to \$ 195,754.

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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

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. 72, "Fair Value Measurement and Application" The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. These improvements are based in part on the concepts and definitions established in Concepts Statement No. 6, Measurement of Elements of Financial Statements, and other relevant literature. The implementation of GASB Statement No. 72 did not have an effect on the financial statement of the Village.

GASB Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68." The principal objective of this Statement is to improve the usefulness of information for decisions made by the various users of the general purpose external financial reports (financial reports) of governments whose employees—both active employees and inactive employees—are provided with pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended. One aspect of that objective is to provide information about the effects of pension-related transactions and other events on the elements of the basic financial statements of state and local governmental employers. This information will assist users in assessing the relationship between a government's inflows of resources and its total cost (including pension expense) of providing government services each period. Another aspect of that objective is to provide users with information about the government's pension obligations. The implementation of GASB Statement No. 73 did not have an effect on the financial statement of the Village.

GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments." The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of GASB Statement No. 76 did not have an effect on the financial statement of the Village.

VILLAGE OF WELLINGTON, OHIO  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES (continued)

GASB Statement No. 77, “Tax Abatement Disclosures”. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government’s future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government’s financial position and economic condition. See Note 17 of these financial statements.

GASB Statement No. 79, “Certain External Investment Pools and Pool Participants” establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance and also establishes additional note disclosure requirements for governments that participate in those pools. The Village participates in STAR Ohio which implemented GASB Statement No. 79 for the fiscal year 2016. The implementation of GASB Statement No. 79 did not have an effect on the financial statement of the Village.

GASB Statement No. 82, Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73” improves consistency in the application of pension accounting. These changes were incorporated in the Village fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

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 and the SCMR Fund are 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 and the SCMR Fund.

Net Change in Fund Balance		
	General Fund	SCMR Fund
Budget basis	\$ 159,948	\$ 32,734
Adjustments, increase (decrease):		
Encumbrances	22,866	28,503
Funds budgeted elsewhere **	635	-
Cash basis, as reported	\$ 183,449	\$ 61,237

\*\* 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.

VILLAGE OF WELLINGTON, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**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	SCMR Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
Fund balances					
Restricted for:					
Capital projects	\$ -	\$ -	\$ 1,353,958	\$ -	\$ 1,353,958
Debt service	-	-	-	195,754	195,754
Highways and streets	-	468,632	-	215,487	684,119
Security of persons and property	-	-	-	100,864	100,864
Other	-	-	-	10,340	10,340
	<u>-</u>	<u>468,632</u>	<u>1,353,958</u>	<u>522,445</u>	<u>2,345,035</u>
Assigned					
Recreation	34,168	-	-	-	34,168
Encumbrances	22,866	-	-	-	22,866
Railroad grade crossing improvement	7,064	-	-	-	7,064
	<u>64,098</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,098</u>
Unassigned	<u>713,396</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>713,396</u>
Total fund balances	<u>\$ 777,494</u>	<u>\$ 468,632</u>	<u>\$ 1,353,958</u>	<u>\$ 522,445</u>	<u>\$ 3,122,529</u>

**NOTE 6 - DEPOSITS AND INVESTMENTS**

**A. LEGAL REQUIREMENTS**

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.

VILLAGE OF WELLINGTON, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

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, 2016

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (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.

B. 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 \$ 6,536,967 and the bank balance was \$ 6,599,771. Of the bank balance, \$ 2,433,463 was covered by federal depository insurance and \$ 4,166,308 was uninsured. Of the remaining balance, \$ 4,166,308 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.

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

C. INVESTMENTS

As of December 31, 2016, the Village had the following investments:

	Weighted Average Maturities Years	Fair Value
STAROhio	n/a	\$ 457,769
Local government securities	n/a	21,942
		\$ 479,711

The Village categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the Village's recurring fair value measurements as of December 31 2016. As discussed further in Note 2E, STAR Ohio is reported at its share price. All other investments of the Village are valued using quoted market prices (Level 1 inputs).

D. INTEREST RATE RISK

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.

VILLAGE OF WELLINGTON, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

E. CREDIT RISK

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.

F. CONCENTRATION OF CREDIT RISK

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, 2016.

	<u>Percentage of Investments</u>
STAROhio	95.4%
Local government securities	4.6%

G. CUSTODIAL CREDIT RISK

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.



VILLAGE OF WELLINGTON, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

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 2016 represent the collection of 2015 taxes. Real property taxes received in 2016 were levied after October 1, 2015, on the assessed values as of January 1, 2015, 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 2016 represent the collection of 2015 taxes. Public utility real and tangible personal property taxes received in 2016 became a lien on December 31, 2015, were levied after October 1, 2015, 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, 2016, was \$ 4.10 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2016 property tax receipts were based are as follows:

	2016 Collection Year
Property valuation consisted of:	
Real property	\$ 83,957,450
Public utility property	1,031,280
Total valuation	\$ 84,988,730

VILLAGE OF WELLINGTON, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**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 - DEBT**

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

	Restated Outstanding 12/31/15	Additions	Reductions	Outstanding 12/31/16	Due In One Year
<b>Governmental activities</b>					
Special assessment bonds					
Street Improvements (1999) 6.0% through 2019	\$ 16,096	\$ -	\$ 3,675	\$ 12,421	\$ 3,899
Street Improvements (2000) 5.75% through 2020	9,180	-	1,637	7,543	1,731
Total special assessment bonds	<u>25,276</u>	<u>-</u>	<u>5,312</u>	<u>19,964</u>	<u>5,630</u>
Ohio Public Works					
OPWC loan (2002) 0% through 2022	54,508	-	13,628	40,880	13,627
OPWC loan (2009) 0% through 2029	81,249	-	6,250	74,999	6,250
OPWC loan (2010) 0% through 2030	5,338	-	368	4,970	368
OPWC loan (2012) 0% through 2032	179,830	-	9,990	169,840	9,991
OPWC loan (2015) 0% through 2046	87,614	-	2,920	84,694	2,920
Total OPWC loans	<u>408,539</u>	<u>-</u>	<u>33,156</u>	<u>375,383</u>	<u>33,156</u>
Ohio Water Development Authority					
OWDA loan (2012) 2.58% through 2033 *	138,533	-	5,157	133,376	6,830
Lorain County (2015) 0% through 2020	25,000	-	-	25,000	5,000
Total governmental activities	<u>\$ 597,348</u>	<u>\$ -</u>	<u>\$ 43,625</u>	<u>\$ 553,723</u>	<u>\$ 50,616</u>

VILLAGE OF WELLINGTON, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 10 – DEBT (continued)

	Outstanding 12/31/15	Additions	Reductions	Outstanding 12/31/16	Due In One Year
<u>Business-type activities</u>					
Ohio Public Works					
OPWC loan (2002)					
0% through 2022	\$ 26,974	\$ -	\$ 4,150	\$ 22,824	\$ 4,150
OPWC loan (1999)					
0% through 2019	15,772	-	4,506	11,266	4,507
OPWC loan (2010)					
0% through 2030	51,090	-	3,650	47,440	3,649
OPWC loan (2014)					
0% through 2045	169,166	-	5,833	163,333	5,834
OPWC loan (2016)					
0% through 2026	-	10,649	532	10,117	1,065
Total OPWC loans	<u>263,002</u>	<u>10,649</u>	<u>18,671</u>	<u>254,980</u>	<u>19,205</u>
Ohio Water Development Authority					
OWDA loan (2012)					
2.58% through 2033	374,552	-	19,235	355,317	18,196
OWDA loan (1999)					
6.32% through 2024	690,254	-	68,944	621,310	73,301
OWDA loan (1999)					
6.87% through 2024	340,728	-	59,403	281,325	63,484
OWDA loan (2000)					
5.86% through 2024	505,116	-	47,589	457,527	50,378
OWDA loan (2005)					
4.66% through 2025	1,250,494	-	114,749	1,135,745	120,158
OWDA loan (2006)					
4.59% through 2037	1,644,309	-	47,907	1,596,402	50,131
OWDA loan (2010)					
4.59% through 2030	29,811	-	2,129	27,682	2,129
OWDA loan (2014)					
1.00% through 2034	275,542	-	15,047	260,495	15,198
OWDA loan (2015)					
1.30% through 2035	262,992	-	14,266	248,726	14,452
Total OWDA loans	<u>5,373,798</u>	<u>-</u>	<u>389,269</u>	<u>4,984,529</u>	<u>407,427</u>
Total business-type activities	<u>\$ 5,636,800</u>	<u>\$ 10,649</u>	<u>\$ 407,940</u>	<u>\$ 5,239,509</u>	<u>\$ 426,632</u>

\* A portion of an OWDA loan that had previously been reflected as Governmental Activities has been reclassified to Business-type activities to better present the purpose of the loan.

VILLAGE OF WELLINGTON, OHIO  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 10 – DEBT (continued)

The Special Assessment Bonds were issued for street reconstruction. The Ohio Water Development Authority (OWDA) loans relate to water, sewer and storm sewer projects. The Ohio Public Works Commission (OPWC) loans financed street 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 note payable to Lorain County was for the acquisition of equipment for the police department.

With the exception of the special assessment debt, all principal and interest payments are funded through utility user charges.

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

Year	Governmental Activities							
	Special Assessment Bonds		OPWC loans	OWDA loans		Lorain County	Total	
	Principal	Interest	Principal	Principal	Interest	Principal	Principal	Interest
2017	\$ 5,630	\$1,179	\$ 33,156	\$ 6,830	\$ 3,398	\$ 5,000	\$ 50,616	\$ 4,577
2018	5,965	845	33,156	7,008	3,220	5,000	51,129	4,065
2019	6,323	492	33,156	7,189	3,038	5,000	51,668	3,530
2020	2,046	118	19,529	7,376	2,851	5,000	33,951	2,969
2021	-	-	19,529	7,568	2,660	5,000	32,097	2,660
2022 - 2026	-	-	97,644	40,891	10,247	-	138,535	10,247
2027 - 2031	-	-	78,339	46,481	4,655	-	124,820	4,655
2032 - 2036	-	-	34,585	10,033	194	-	44,618	194
2037 - 2041	-	-	14,605	-	-	-	14,605	-
2042 - 2046	-	-	11,684	-	-	-	11,684	-
	<u>\$19,964</u>	<u>\$2,634</u>	<u>\$ 375,383</u>	<u>\$ 133,376</u>	<u>\$ 30,263</u>	<u>\$25,000</u>	<u>\$553,723</u>	<u>\$ 32,897</u>

Year	Business-type Activities				
	OWDA loans		OPWC loans	Total	
	Principal	Interest	Principal	Principal	Interest
2017	\$ 407,427	\$ 224,551	\$ 19,205	\$ 426,632	\$ 224,551
2018	428,178	203,848	19,205	447,383	203,848
2019	450,086	181,984	16,950	467,036	181,984
2020	473,218	158,903	14,698	487,916	158,903
2021	414,835	134,525	14,698	429,533	134,525
2022 - 2026	1,480,661	392,845	54,280	1,534,941	392,845
2027 - 2031	733,299	204,081	40,115	773,414	204,081
2032 - 2036	596,825	73,763	29,165	625,990	73,763
2037 - 2041	-	-	29,165	29,165	-
2042 - 2046	-	-	17,499	17,499	-
	<u>\$ 4,984,529</u>	<u>\$ 1,574,500</u>	<u>\$ 254,980</u>	<u>\$ 5,239,509</u>	<u>\$ 1,574,500</u>

VILLAGE OF WELLINGTON, OHIO  
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NOTE 10 – DEBT (continued)

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.

NOTE 11 – 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 12 – 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 2016, 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 2016, 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 2016, the Village paid \$ 25,672 to the Cemetery. Financial information can be obtained by contacting the Cemetery at 115 Willard Square, Wellington, Ohio, 44090.

VILLAGE OF WELLINGTON, OHIO  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS (continued)

D. WELLINGTON COMMUNITY IMPROVEMENT CORPORATION (CIC)

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 2016, 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.

NOTE 13 – 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 13 – JOINT VENTURE WITH EQUITY INTEREST (continued)

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

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.

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](http://www.auditor.state.oh.us).

NOTE 14 – 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. Since March 31, 2014 the Village has made payments of \$ 68,400 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$ 10,575 and interest expense incurred on AMP's line-of-credit of \$ 9,643, resulting in a net impaired cost estimate at December 31, 2015 of \$ 635,196.

The Village intends to recover these costs and repay AMP over the next 27 years through a power cost adjustment.

VILLAGE OF WELLINGTON, OHIO  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 15 – DEFINED BENEFIT PENSION PLANS

A. PLAN DESCRIPTION – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Plan Description - Village employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Village employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

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



VILLAGE OF WELLINGTON, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

A. PLAN DESCRIPTION – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (continued)

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
<u>State and Local</u>	<u>State and Local</u>	<u>State and Local</u>
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<u>Public Safety</u>	<u>Public Safety</u>	<u>Public Safety</u>
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
<u>Law Enforcement</u>	<u>Law Enforcement</u>	<u>Law Enforcement</u>
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
<b>NOTE</b> <u>Public Safety and Law Enforcement</u>	<u>Public Safety and Law Enforcement</u>	<u>Public Safety and Law Enforcement</u>
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

A. PLAN DESCRIPTION – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (continued)

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2016 Statutory Maximum Contribution Rates			
Employer	14.0%	18.1%	18.1%
Employee:	10.0%	*	**
2016 Actual Contribution Rates			
Employer:			
Pension	12.0%	16.1%	16.1%
Post-employment Health Care Benefits	2.0%	2.0%	2.0%
Total Employer	<u>14.0%</u>	<u>18.1%</u>	<u>18.1%</u>
Employee	<u>10.0%</u>	<u>12.0%</u>	<u>13.0%</u>

\* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

\*\* This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village's contractually required contribution was \$ 277,431 for year 2016

B. PLAN DESCRIPTION – OHIO POLICE & FIRE PENSION FUND (OPF)

Plan Description - Village full-time police participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

VILLAGE OF WELLINGTON, OHIO  
LORAIN COUNTY  
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FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

B. PLAN DESCRIPTION – OHIO POLICE & FIRE PENSION FUND (OPF) (continued)

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

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

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

	<u>Police</u>	<u>Firefighters</u>
2016 Statutory Maximum Contribution Rates		
Employer	19.50%	24.00%
Employee	12.25%	12.25%
2016 Actual Contribution Rates		
Employer:		
Pension	19.00%	23.50%
Post-employment Health Care Benefits	<u>0.50%</u>	<u>0.50%</u>
Total Employer	<u>19.50%</u>	<u>24.00%</u>
Employee	<u>12.25%</u>	<u>12.25%</u>

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required contribution to OPF was \$ 72,494 for 2016. The Village has no firefighters.

VILLAGE OF WELLINGTON, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 16 – POSTEMPLOYMENT BENEFITS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

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

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying benefit recipients 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. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2014 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide OPEB benefits to its eligible benefit recipients. Authority to establish and amend health care coverage 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>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 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.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund the OPEB Plan.

VILLAGE OF WELLINGTON, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 16 – POSTEMPLOYMENT BENEFITS (continued)

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (continued)

OPERS' Post-employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code section 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. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2016. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions to OPERS for the years ending December 31, 2016, 2015, and 2014 were \$ 277,431, \$ 273,696, and \$ 278,102, respectively, of which \$ 39,633, \$ 39,099 and \$ 39,713, respectively, was allocated to the healthcare plan.

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 statutory survivor benefit 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](http://www.op-f.org).

VILLAGE OF WELLINGTON, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 16 – 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, 19.5% and 24.0% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% 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 .5% of covered payroll from January 1, 2016 through December 31, 2016. 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 OP&F for the years ending December 31, 2016, 2015 and 2014 were \$ 72,494, \$ 69,487 and \$ 59,990, respectively, of which \$ 1,859, \$ 1,782, and \$ 1,601, respectively, was allocated to the healthcare plan.

NOTE 17 – TAX ABATEMENT

Tax abatement was granted by the Village through the Ohio Community Reinvestment Area Program (Ohio Development Services Agency, Office of Tax Incentives) for Kalron LLC/Development 58 LLC located at 775 Shiloh Avenue, Wellington in the amount of 100%, 10 years on the new real property investment of \$ 900,000 (total project cost was \$ 1,500,000) in 2012. Kalron was eligible for tax abatement because they were making an investment in new real property and creating jobs.

The project was expected to create 12 new jobs. As of December 31, 2015, only one new full-time and two new part-time jobs were created on site. This was due to a business downturn in 2015. During 2016, Kalron was working to fill three open positions and hoped to be back on track for remaining job creation.

There are no provisions for recapturing abated taxes.

For the year ended December 31, 2016, the Village abated property taxes totaling \$ 1,732.

VILLAGE OF WELLINGTON, OHIO  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 18 – SUBSEQUENT EVENTS

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

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VILLAGE OF WELLINGTON  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
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, 2015, 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 2015 are as follows

The net position of governmental activities increased \$ 318,166 or 14.2 percent from 2014. This was the result of increases of \$ 139,429 in the General Fund, \$ 52,695 in the Street Construction and Maintenance Fund (SCMR), \$ 94,112 in the Capital Improvements Fund and \$ 31,930 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 44.6 percent and 16.2 percent of the total cash received for governmental activities during the year.

The net position of business-type activities decreased \$ 325,621 from 2014. Net position in the Water Fund, Sewer Fund, Electric Fund and Other Enterprise Funds decreased by \$ 55,569, \$ 128,313, \$ 112,148 and \$ 29,591, respectively.

**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, 2015  
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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 – Cash Basis and the Statement of Activities – Cash Basis reflect how the Village did financially during 2015, 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, 2015  
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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, SCMR 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 2015 compared to 2014 on a cash basis:

**Table 1  
Net Position**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets						
Equity in pooled cash	\$ 2,554,650	\$ 2,236,484	\$ 5,382,242	\$ 5,707,863	\$ 7,936,892	\$ 7,944,347
Total assets	<u>\$ 2,554,650</u>	<u>\$ 2,236,484</u>	<u>\$ 5,382,242</u>	<u>\$ 5,707,863</u>	<u>\$ 7,936,892</u>	<u>\$ 7,944,347</u>
Net position						
Restricted for:						
Capital projects	\$ 1,049,815	\$ 955,703	\$ -	\$ -	\$ 1,049,815	\$ 955,703
Debt service	218,824	206,648	-	-	218,824	206,648
Other	691,966	619,517	-	-	691,966	619,517
Unrestricted	594,045	454,616	5,382,242	5,707,863	5,976,287	6,162,479
Total net position	<u>\$ 2,554,650</u>	<u>\$ 2,236,484</u>	<u>\$ 5,382,242</u>	<u>\$ 5,707,863</u>	<u>\$ 7,936,892</u>	<u>\$ 7,944,347</u>

VILLAGE OF WELLINGTON  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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As mentioned previously, the net position of governmental activities increased \$ 318,166 or 14.2 percent during 2015.

Table 2 reflects the changes in net position in 2015 compared to 2014 on a cash basis.

**Table 2**  
**Change in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Receipts						
Program receipts						
Charges for services	\$ 159,299	\$ 171,558	\$ 9,956,055	\$ 9,993,412	\$ 10,115,354	\$ 10,164,970
Operating grants and contributions	20,564	6,495	-	-	20,564	6,495
Capital grants and contributions	335,579	304,812	113,522	188,529	449,101	493,341
Total program receipts	<u>515,442</u>	<u>482,865</u>	<u>10,069,577</u>	<u>10,181,941</u>	<u>10,585,019</u>	<u>10,664,806</u>
General receipts						
Property and other local taxes	623,698	610,081	-	-	623,698	610,081
Municipal income taxes	1,711,961	1,711,443	-	-	1,711,961	1,711,443
Grants and entitlements	277,880	341,638	-	-	277,880	341,638
Loan proceeds	112,614		357,048	378,776	469,662	378,776
Interest	35,776	37,726	5	2	35,781	37,728
Other	563,315	594,943	-	-	563,315	594,943
Total general receipts	<u>3,325,244</u>	<u>3,295,831</u>	<u>357,053</u>	<u>378,778</u>	<u>3,682,297</u>	<u>3,674,609</u>
Total receipts	<u>3,840,686</u>	<u>3,778,696</u>	<u>10,426,630</u>	<u>10,560,719</u>	<u>14,267,316</u>	<u>14,339,415</u>

(continued on next page)

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
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**Table 2**  
**Change in Net Position**  
(Concluded)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Program cash disbursements						
General government	\$ 715,830	\$ 653,428	\$ -	\$ -	\$ 715,830	\$ 653,428
Security of persons and property	1,124,692	1,095,426	-	-	1,124,692	1,095,426
Public health services	27,644	29,189	-	-	27,644	29,189
Leisure time activities	66,005	59,468	-	-	66,005	59,468
Community environment	118,002	148,381	-	-	118,002	148,381
Transportation	750,091	777,892	-	-	750,091	777,892
Capital outlay	678,234	501,170	-	-	678,234	501,170
Principal	35,247	68,346	-	-	35,247	68,346
Interest and fiscal charges	6,775	20,600	-	-	6,775	20,600
Water	-	-	946,159	837,850	946,159	837,850
Sewer	-	-	1,457,620	1,567,936	1,457,620	1,567,936
Electric	-	-	7,941,331	7,852,246	7,941,331	7,852,246
Refuse	-	-	317,569	320,951	317,569	320,951
Other	-	-	89,572	81,898	89,572	81,898
Total program cash disbursements	<u>3,522,520</u>	<u>3,353,900</u>	<u>10,752,251</u>	<u>10,660,881</u>	<u>14,274,771</u>	<u>14,014,781</u>
Increase (decrease) in net position	318,166	424,796	(325,621)	(100,162)	(7,455)	324,634
Net position, at beginning of year	<u>2,236,484</u>	<u>1,811,688</u>	<u>5,707,863</u>	<u>5,808,025</u>	<u>7,944,347</u>	<u>7,619,713</u>
Net position, at end of year	<u>\$ 2,554,650</u>	<u>\$ 2,236,484</u>	<u>\$ 5,382,242</u>	<u>\$ 5,707,863</u>	<u>\$ 7,936,892</u>	<u>\$ 7,944,347</u>

### Governmental Activities

Program receipts represent 13.4 percent of total receipts and are comprised of charges for services, operating and capital grants and contributions.

General receipts represent 86.6 percent of the Village's total receipts of governmental activities, and of this amount, 70.2 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 clerk-treasurer 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, 2015  
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If you look at the Statement of Activities – Cash Basis on page 62, 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 31.9 percent, 21.3 percent, 20.3 percent, and 19.3 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	\$ 715,830	\$ 575,286
Security of persons and property	1,124,692	1,104,294
Public health services	27,644	26,331
Leisure time activities	66,005	58,765
Community environment	118,002	108,168
Transportation	750,091	631,093
Capital outlay	678,234	461,119
Principal	35,247	35,247
Interest and fiscal charges	6,775	6,775
Total governmental activities	\$ 3,522,520	\$ 3,007,078

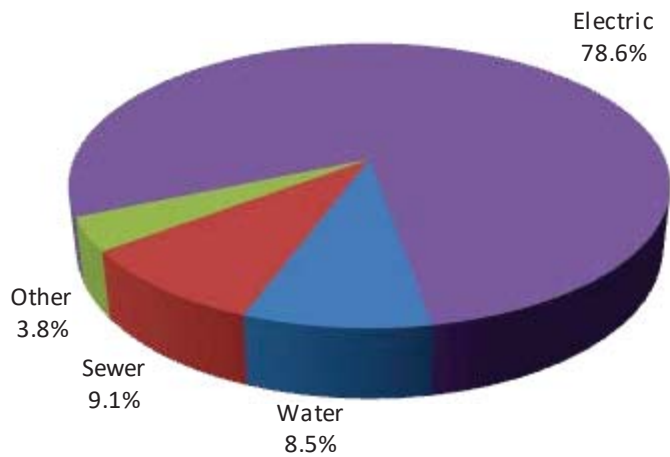
The dependence upon property and income tax receipts is apparent as 60.0 percent of governmental activities are supported through these general receipts.

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
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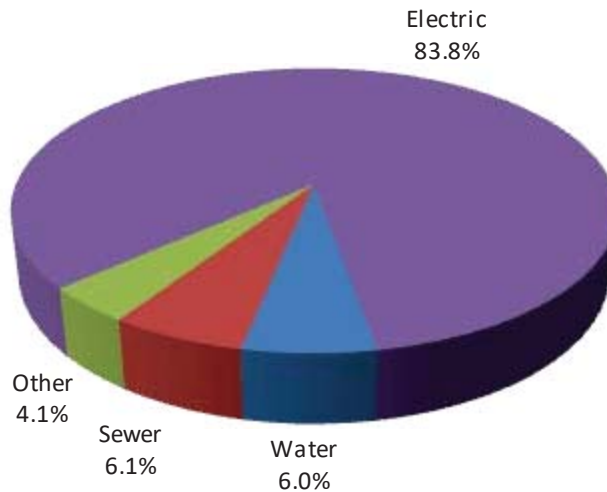
**Business-type Activities**

Charges for services is the primary source of receipts for the business-type activities. Program cash receipts were \$ 112,364 lower in 2015.

**Receipts, Business-type Activities**



**Operating 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 \$ 3,840,686 and disbursements of \$ 3,522,520. The fund balances of the General Fund, SCMR Fund, Capital Improvements Fund and Other Governmental Funds increased by \$ 139,429, \$ 52,695, \$ 94,112 and \$ 31,930, respectively.

**Major 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

During 2015, the Village amended its General Fund budget to reflect changing circumstances. Final budgeted receipts were \$ 22,796 higher than original budgeted receipts. Actual receipts were more than the final budgeted amount by \$ 16,444. Final disbursements were budgeted at \$ 2,759,371 which was \$ 29,500 higher than original appropriations. Actual disbursements were \$ 82,064 less than the final budgeted amount.

During 2015, the Village amended its SCMR Fund budget to reflect changing circumstances. Final budgeted receipts were \$ 94,500 higher than original budgeted receipts. Actual receipts were more than the final budgeted amount by \$ 45,980. Final disbursements were budgeted at \$ 320,818 which was the same as original appropriations. Actual disbursements were \$ 51,146 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	
	2015	Restated 2014	2015	2014	2015	2014
Bonds						
Special assessment	\$ 25,276	\$ 30,288	\$ -	\$ -	\$ 25,276	\$ 30,288
OPWC loans	408,539	351,160	263,002	259,468	671,541	610,628
OWDA loans	513,085	513,085 *	4,999,246	5,001,648	5,512,331	5,514,733
Note payable	25,000	-	-	-	25,000	-
	<u>\$ 971,900</u>	<u>\$ 894,533</u>	<u>\$ 5,262,248</u>	<u>\$ 5,261,116</u>	<u>\$ 6,234,148</u>	<u>\$ 6,155,649</u>

\* OWDA adjusted the principal balance by \$ 3,615.

The special assessment bonds are for street improvements. OPWC loans financed street and waterline improvements and replacements. The OWDA loans relate to water, sewer and storm sewer projects. For further information regarding the Village's debt, refer to Note 10 to the basic financial statements.



VILLAGE OF WELLINGTON  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
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**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 CSX 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.

In November of 2015, the underpass was opened to traffic, an important milestone. 2016 will see completion of the project as there is still some limited work related to grading, seeding and restoration to be completed.

**Community Incentive Grant**

In 2015, the Village was able to obtain a small grant in the amount of \$ 6,834 from Lorain County as part of the Community Incentive Grant Program. The money was used to buy a dugout for the new baseball field.

**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 a new baseball field. This project will be substantially completed in 2015.

**Baker Street Underground Utility Improvement Project**

Initial engineering work was completed in 2014 for this project with construction completed in 2015. The Village will pay for a portion of the work as well as some funding through special assessments from the affective 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 was completed 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 bids for major equipment were accepted September 9, 2015. Construction is anticipated to begin in the first quarter of 2016 and be completed by the third quarter for the year. The project is funded by the Village's electric fund.

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Signal Project Herrick and Main Streets

In 2015, the Village entered into a cooperative Agreement with Ohio Department of Transportation to improve the intersection and traffic signals at the corner of Main and Herrick Streets. Ohio Department of Transportation Safety Funds will pay the majority of the costs of this improvement. Improvements will consist of a new signals with a dedicated left turn signal, traffic sensors to control and improve traffic flow, emergency vehicle detection and pedestrian crossing signals. The structures will be historically decorative to blend with the existing street lighting. The project will be constructed in 2016.

Change in Political Leadership

In 2015, long time Mayor, Barbara O'Keefe chose to retire. She will be replaced in 2016 by Hans Schneider, a 10 year veteran of the Village Council, who was elected in November 2015. Also in late 2015, a long-time veteran of Council, Jeff Hyde, chose to resign and relocate to Amherst, Ohio to be closer to his children. Council selected Keith Rowland to fill the remainder of this term.

Change in Upper Management

In 2015, Finance Director Karen Shaw tendered her resignation to relocate to Missouri, with her husband whom had accepted a promotion. Vanya Hales, Finance Office Manager was promoted to the position of Finance Director in January 2016.

**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 Vanya Hales, 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, 2015

	Governmental Activities	Business-type Activities	Total
Assets			
Equity in pooled cash	\$ 2,554,650	\$ 5,382,242	\$ 7,936,892
Total assets	\$ 2,554,650	\$ 5,382,242	\$ 7,936,892
Net position			
Restricted for:			
Capital projects	\$ 1,049,815	\$ -	\$ 1,049,815
Debt service	218,824	-	218,824
Highways and streets	442,505	-	442,505
Security of persons and property	239,525	-	239,525
Other	9,936	-	9,936
Unrestricted	594,045	5,382,242	5,976,287
Total net position	\$ 2,554,650	\$ 5,382,242	\$ 7,936,892

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, 2015

	Cash Disbursements	Program Cash Receipts		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Current				
General government	\$ 715,830	\$ 140,444	\$ 100	\$ -
Security of persons and property	1,124,692	12,518	7,880	-
Public health services	27,644	1,313	-	-
Leisure time activities	66,005	4,490	2,750	-
Community environment	118,002	-	9,834	-
Transportation	750,091	-	-	118,998
Capital outlay	678,234	534	-	216,581
Debt service				
Principal	35,247	-	-	-
Interest and fiscal charges	6,775	-	-	-
Total governmental activities	<u>3,522,520</u>	<u>159,299</u>	<u>20,564</u>	<u>335,579</u>
Business-type activities				
Water	946,159	843,590	-	48,772
Sewer	1,457,620	905,737	-	64,750
Electric	7,941,331	7,829,183	-	-
Refuse	317,569	315,496	-	-
Other	89,572	62,049	-	-
Total business-type activities	<u>10,752,251</u>	<u>9,956,055</u>	<u>-</u>	<u>113,522</u>
Total	<u>\$ 14,274,771</u>	<u>\$ 10,115,354</u>	<u>\$ 20,564</u>	<u>\$ 449,101</u>

General receipts  
 Property taxes levied for:  
   General purposes  
   Municipal income taxes  
 Grants and entitlements not restricted to specific programs  
 Loan 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
\$ (575,286)	\$ -	\$ (575,286)
(1,104,294)	-	(1,104,294)
(26,331)	-	(26,331)
(58,765)	-	(58,765)
(108,168)	-	(108,168)
(631,093)	-	(631,093)
(461,119)	-	(461,119)
(35,250)	-	(35,250)
(6,772)	-	(6,772)
<u>(3,007,078)</u>	<u>-</u>	<u>(3,007,078)</u>
-	(53,797)	(53,797)
-	(487,133)	(487,133)
-	(112,148)	(112,148)
-	(2,073)	(2,073)
-	(27,523)	(27,523)
-	<u>(682,674)</u>	<u>(682,674)</u>
<u>(3,007,078)</u>	<u>(682,674)</u>	<u>(3,689,752)</u>
623,698	-	623,698
1,711,961	-	1,711,961
277,880	-	277,880
112,614	357,048	469,662
35,776	5	35,781
563,315	-	563,315
<u>3,325,244</u>	<u>357,053</u>	<u>3,682,297</u>
318,166	(325,621)	(7,455)
<u>2,236,484</u>	<u>5,707,863</u>	<u>7,944,347</u>
<u>\$ 2,554,650</u>	<u>\$ 5,382,242</u>	<u>\$ 7,936,892</u>

VILLAGE OF WELLINGTON, OHIO  
LORAIN COUNTY  
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES -  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2015

	<u>General Fund</u>	<u>SCMR Fund</u>	<u>Capital Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in pooled cash	\$ 594,045	\$ 407,395	\$ 1,049,815	\$ 503,395	\$ 2,554,650
Total assets	<u>\$ 594,045</u>	<u>\$ 407,395</u>	<u>\$ 1,049,815</u>	<u>\$ 503,395</u>	<u>\$ 2,554,650</u>
Fund balances					
Restricted	\$ -	\$ 407,395	\$ 1,049,815	\$ 503,395	\$ 1,960,605
Assigned	76,630	-	-	-	76,630
Unassigned	517,415	-	-	-	517,415
Total fund balances	<u>\$ 594,045</u>	<u>\$ 407,395</u>	<u>\$ 1,049,815</u>	<u>\$ 503,395</u>	<u>\$ 2,554,650</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, 2015

	General Fund	SCMR Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property and other taxes	\$ 578,686	\$ -	\$ -	\$ 45,012	\$ 623,698
Municipal income tax	1,283,971	-	427,990	-	1,711,961
Special assessments	-	-	42,725	30,814	73,539
Charges for services	559,055	-	534	-	559,589
Fines, licenses and permits	28,247	-	-	-	28,247
Intergovernmental	222,106	-	123,350	78,327	423,783
Interest	30,413	210,240	-	487	241,140
Contributions and donations	10,630	4,876	-	100	15,606
Miscellaneous	44,196	-	5,000	1,313	50,509
<b>Total receipts</b>	<u>2,757,304</u>	<u>215,116</u>	<u>599,599</u>	<u>156,053</u>	<u>3,728,072</u>
<b>Disbursements</b>					
<b>Current</b>					
General government	713,230	-	-	2,600	715,830
Security of persons and property	1,109,929	-	-	14,763	1,124,692
Public health services	2,344	-	-	25,300	27,644
Leisure time activities	66,005	-	-	-	66,005
Community environment	117,984	-	-	18	118,002
Transportation	633,383	53,904	-	62,804	750,091
Capital outlay	-	108,517	569,717	-	678,234
<b>Debt service</b>					
Principal	-	-	16,609	18,638	35,247
Interest and fiscal charges	-	-	6,775	-	6,775
<b>Total disbursements</b>	<u>2,642,875</u>	<u>162,421</u>	<u>593,101</u>	<u>124,123</u>	<u>3,522,520</u>
Excess of receipts over (under) disbursements	<u>114,429</u>	<u>52,695</u>	<u>6,498</u>	<u>31,930</u>	<u>205,552</u>
<b>Other financing sources</b>					
Loan proceeds	25,000	-	87,614	-	112,614
<b>Total other financing sources</b>	<u>25,000</u>	<u>-</u>	<u>87,614</u>	<u>-</u>	<u>112,614</u>
<b>Net change in fund balances</b>	139,429	52,695	94,112	31,930	318,166
Fund balances at beginning of year	<u>454,616</u>	<u>354,700</u>	<u>955,703</u>	<u>471,465</u>	<u>2,236,484</u>
<b>Fund balances at end of year</b>	<u>\$ 594,045</u>	<u>\$ 407,395</u>	<u>\$ 1,049,815</u>	<u>\$ 503,395</u>	<u>\$ 2,554,650</u>

See accompanying notes to the basic financial statements

VILLAGE OF WELLINGTON, OHIO  
LORAIN COUNTY

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

FOR THE YEAR ENDED DECEMBER 31, 2015

	GENERAL FUND			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Receipts				
Property and other taxes	\$ 615,675	\$ 615,675	\$ 578,686	\$ (36,989)
Municipal income tax	1,250,000	1,250,000	1,283,971	33,971
Charges for services	575,625	584,625	554,215	(30,410)
Fines, licenses and permits	47,500	47,500	28,247	(19,253)
Intergovernmental	121,420	126,820	222,106	95,286
Interest	55,000	55,000	30,413	(24,587)
Contributions and donations	8,000	8,000	10,630	2,630
Miscellaneous	65,004	48,400	44,196	(4,204)
Total receipts	<u>2,738,224</u>	<u>2,736,020</u>	<u>2,752,464</u>	<u>16,444</u>
Disbursements				
Current				
General government	736,491	740,991	718,828	22,163
Security of persons and property	1,115,640	1,140,640	1,127,117	13,523
Public health services	3,000	3,000	2,344	656
Leisure time activities	70,675	70,675	65,323	5,352
Community environment	142,143	142,143	129,782	12,361
Transportation	661,922	661,922	633,913	28,009
Total disbursements	<u>2,729,871</u>	<u>2,759,371</u>	<u>2,677,307</u>	<u>82,064</u>
Excess of receipts over (under) disbursements	<u>8,353</u>	<u>(23,351)</u>	<u>75,157</u>	<u>98,508</u>
Other financing sources				
Loan proceeds	-	25,000	25,000	-
Total other financing sources	<u>-</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Net change in fund balances	8,353	1,649	100,157	98,508
Prior year encumbrances appropriated	23,561	23,561	23,561	-
Fund balances at beginning of year	<u>393,698</u>	<u>393,698</u>	<u>393,698</u>	<u>-</u>
Fund balances at end of year	<u>\$ 425,612</u>	<u>\$ 418,908</u>	<u>\$ 517,416</u>	<u>\$ 98,508</u>

See accompanying notes to the basic financial statements



VILLAGE OF WELLINGTON, OHIO  
LORAIN COUNTY

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

FOR THE YEAR ENDED DECEMBER 31, 2015

	SCMR FUND			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Receipts				
Intergovernmental	\$ 168,500	\$ 199,145	\$ 210,240	\$ 11,095
Interest	800	800	4,876	4,076
Total receipts	<u>169,300</u>	<u>199,945</u>	<u>215,116</u>	<u>15,171</u>
Disbursements				
Current				
Transportation	65,816	65,816	54,620	11,196
Capital outlay	255,002	255,002	215,052	39,950
Total disbursements	<u>320,818</u>	<u>320,818</u>	<u>269,672</u>	<u>51,146</u>
Excess of receipts over (under) disbursements	<u>(151,518)</u>	<u>(120,873)</u>	<u>(54,556)</u>	<u>66,317</u>
Other financing sources				
Loan proceeds	-	63,855	94,664	30,809
Total other financing sources	<u>-</u>	<u>63,855</u>	<u>94,664</u>	<u>30,809</u>
Net change in fund balances	(151,518)	(57,018)	40,108	97,126
Prior year encumbrances appropriated	23,728	23,728	23,728	-
Fund balances at beginning of year	<u>330,972</u>	<u>330,972</u>	<u>330,972</u>	<u>-</u>
Fund balances at end of year	<u>\$ 203,182</u>	<u>\$ 297,682</u>	<u>\$ 394,808</u>	<u>\$ 97,126</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, 2015

	Water Fund	Sewer Fund	Electric Fund	Other Enterprise Funds	Total Enterprise Funds
Assets					
Equity in pooled cash	\$ 131,302	\$ 240,781	\$ 4,743,098	\$ 267,061	\$ 5,382,242
Total assets	<u>\$ 131,302</u>	<u>\$ 240,781</u>	<u>\$ 4,743,098</u>	<u>\$ 267,061</u>	<u>\$ 5,382,242</u>
Net position					
Unrestricted	\$ 131,302	\$ 240,781	\$ 4,743,098	\$ 267,061	\$ 5,382,242
Total net position	<u>\$ 131,302</u>	<u>\$ 240,781</u>	<u>\$ 4,743,098</u>	<u>\$ 267,061</u>	<u>\$ 5,382,242</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, 2015

	Water Fund	Sewer Fund	Electric Fund	Other Enterprise Funds	Total Enterprise Funds
<b>Receipts</b>					
Charges for services	\$ 832,743	\$ 894,498	\$ 7,790,730	\$ 377,545	\$ 9,895,516
Interest	-	-	-	5	5
Miscellaneous	10,847	11,239	38,453	-	60,539
Total receipts	<u>843,590</u>	<u>905,737</u>	<u>7,829,183</u>	<u>377,550</u>	<u>9,956,060</u>
<b>Operating disbursements</b>					
Personal services	353,373	402,493	627,259	-	1,383,125
Travel transportation	264	2,024	1,020	-	3,308
Contractual services	36,019	37,314	6,341,966	343,797	6,759,096
Materials and supplies	149,474	113,742	580,105	23,495	866,816
Total operating disbursements	<u>539,130</u>	<u>555,573</u>	<u>7,550,350</u>	<u>367,292</u>	<u>9,012,345</u>
Operating income	<u>304,460</u>	<u>350,164</u>	<u>278,833</u>	<u>10,258</u>	<u>943,715</u>
<b>Non-operating receipts (disbursements)</b>					
Loan proceeds	-	357,048	-	-	357,048
Intergovernmental	35,000	57,750	-	-	92,750
Special assessments	-	1,772	-	-	1,772
Capital outlay	(201,381)	(502,272)	(390,981)	(39,849)	(1,134,483)
Principal paid	(101,366)	(254,550)	-	-	(355,916)
Interest and fiscal charges	(104,282)	(145,225)	-	-	(249,507)
Total non-operating receipts (disbursements)	<u>(372,029)</u>	<u>(485,477)</u>	<u>(390,981)</u>	<u>(39,849)</u>	<u>(1,288,336)</u>
Loss before contributions	<u>(67,569)</u>	<u>(135,313)</u>	<u>(112,148)</u>	<u>(29,591)</u>	<u>(344,621)</u>
Capital contributions - tap fees	<u>12,000</u>	<u>7,000</u>	<u>-</u>	<u>-</u>	<u>19,000</u>
Change in net position	(55,569)	(128,313)	(112,148)	(29,591)	(325,621)
Net position at beginning of year	<u>186,871</u>	<u>369,094</u>	<u>4,855,246</u>	<u>296,652</u>	<u>5,707,863</u>
Net position at end of year	<u>\$ 131,302</u>	<u>\$ 240,781</u>	<u>\$ 4,743,098</u>	<u>\$ 267,061</u>	<u>\$ 5,382,242</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, 2015

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, 2015

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 12 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 13 and Note 14 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 13 and Note 14 of these financial statements.

VILLAGE OF WELLINGTON, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015

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.

Street Construction and Maintenance Fund (SCMR) – This fund accounts for the portion of State gasoline tax and motor vehicle registration fees designated for maintenance and repair of roadways within the Village.

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, 2015

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 2015 amounted to \$ 30,413 which included \$ 28,143 assigned from other Village funds.



VILLAGE OF WELLINGTON, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015.

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 15 and 16, 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, 2015

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, 2015, restricted net position restricted by enabling legislation amounted to \$ 218,824.

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, 2015

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.68, "Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27." The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information. The implementation of GASB Statement No. 68 did not have any effect on the financial statements of the Village.

GASB Statement No.71, "Pension Transition for contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68." This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. The implementation of GASB Statement No. 71 did not have any effect on the financial statements of the Village.

VILLAGE OF WELLINGTON, OHIO  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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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 and the SCMR are 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 and the SCMR Fund.

	Net Change in Fund Balance	
	General Fund	SCMR Fund
Budget basis	\$ 100,157	\$ 40,108
Adjustments, increase (decrease):		
Encumbrances	36,033	12,587
Funds budgeted elsewhere **	3,239	-
Cash basis, as reported	<u>\$ 139,429</u>	<u>\$ 52,695</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 District 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	SCMR Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
Fund balances					
Restricted for:					
Capital projects	\$ -	\$ -	\$ 1,049,815	\$ -	\$ 1,049,815
Debt service	-	-	-	218,824	218,824
Highways and streets	-	407,395	-	179,258	586,653
Security of persons and property	-	-	-	95,377	95,377
Other	-	-	-	9,936	9,936
	<u>-</u>	<u>407,395</u>	<u>1,049,815</u>	<u>503,395</u>	<u>1,960,605</u>
Assigned					
Recreation	33,533	-	-	-	33,533
Encumbrances	36,033	-	-	-	36,033
Railroad grade crossing improvement	7,064	-	-	-	7,064
	<u>76,630</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,630</u>
Unassigned	517,415	-	-	-	517,415
Total fund balances	<u>\$ 594,045</u>	<u>\$ 407,395</u>	<u>\$ 1,049,815</u>	<u>\$ 503,395</u>	<u>\$ 2,554,650</u>

VILLAGE OF WELLINGTON, OHIO  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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 \$ 7,457,508 and the bank balance was \$ 7,647,721. Of the bank balance, \$ 2,929,197 was covered by federal depository insurance and \$ 4,718,524 was uninsured. Of the remaining balance, \$ 4,718,524 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, 2015, the Village had the following investments:

	Weighted Average Maturities Years	Fair Value
STAROhio	n/a	\$ 455,236
Local government securities	n/a	28,748
		\$ 483,984

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  
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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, 2015:

	Percentage of Investments
STAROhio	94.1%
Local government securities	5.9%

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 2015 represent the collection of 2014 taxes. Real property taxes received in 2015 were levied after October 1, 2014, on the assessed values as of January 1, 2014, 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 2015 represent the collection of 2014 taxes. Public utility real and tangible personal property taxes received in 2015 became a lien on December 31, 2014, were levied after October 1, 2014, 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, 2015, was \$ 4.10 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2015 property tax receipts were based are as follows:

	2015 Collection Year
Property valuation consisted of:	
Real property	\$ 83,552,020
Public utility property	926,520
Total valuation	\$ 84,478,540

VILLAGE OF WELLINGTON, OHIO  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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 - DEBT

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

	Restated Outstanding 12/31/14	Additions	Reductions	Outstanding 12/31/15	Due In One Year
<u>Governmental activities</u>					
Special assessment bonds					
Street Improvements (1999)					
6.0% through 2019	\$ 19,560	\$ -	\$ 3,464	\$ 16,096	\$ 3,675
Street Improvements (2000)					
5.75% through 2020	10,728	-	1,548	9,180	1,637
Total special assessment bonds	<u>30,288</u>	<u>-</u>	<u>5,012</u>	<u>25,276</u>	<u>5,312</u>
Ohio Public Works					
OPWC loan (2002)					
0% through 2022	68,134	-	13,626	54,508	13,627
OPWC loan (2009)					
0% through 2029	87,499	-	6,250	81,249	6,250
OPWC loan (2010)					
0% through 2030	5,706	-	368	5,338	368
OPWC loan (2012)					
0% through 2032	189,821	-	9,991	179,830	9,991
OPWC loan (2015)					
0% through 2046	-	87,614	-	87,614	2,920
Total OPWC loans	<u>351,160</u>	<u>87,614</u>	<u>30,235</u>	<u>408,539</u>	<u>33,156</u>
Ohio Water Development Authority					
OWDA loan (2012)					
2.58% through 2033	513,085	-	-	513,085	5,656
Lorain County (2015)					
0% through 2020	-	25,000	-	25,000	5,000
Total governmental activities	<u>\$ 894,533</u>	<u>\$ 112,614</u>	<u>\$ 35,247</u>	<u>\$ 971,900</u>	<u>\$ 49,124</u>

\* OWDA adjusted the principal balance by \$ 3,615.



VILLAGE OF WELLINGTON, OHIO  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10 – DEBT (continued)

	Outstanding 12/31/14	Additions	Reductions	Outstanding 12/31/15	Due In One Year
<u>Business-type activities</u>					
Ohio Public Works					
OPWC loan (2002)					
0% through 2022	\$ 31,124	\$ -	\$ 4,150	\$ 26,974	\$ 4,150
OPWC loan (1999)					
0% through 2019	20,279	-	4,507	15,772	4,507
OPWC loan (2010)					
0% through 2030	54,739	-	3,649	51,090	3,649
OPWC loan (2014)					
0% through 2045	153,326	21,674	5,834	169,166	5,834
Total OPWC loans	<u>259,468</u>	<u>21,674</u>	<u>18,140</u>	<u>263,002</u>	<u>18,140</u>
Ohio Water Development Authority					
OWDA loan (1999)					
6.32% through 2024	755,099	-	64,845	690,254	68,944
OWDA loan (1999)					
6.87% through 2024	396,313	-	55,585	340,728	59,403
OWDA loan (2000)					
5.86% through 2024	550,071	-	44,955	505,116	47,589
OWDA loan (2005)					
4.66% through 2025	1,360,077	-	109,583	1,250,494	114,749
OWDA loan (2006)					
4.59% through 2037	1,690,091	-	45,782	1,644,309	47,907
OWDA loan (2010)					
4.59% through 2030	31,940	-	2,129	29,811	2,129
OWDA loan (2014)					
1.00% through 2034	218,057	72,382	14,897	275,542	13,630
OWDA loan (2015)					
1.30% through 2035	-	262,992	-	262,992	9,095
Total OWDA loans	<u>5,001,648</u>	<u>335,374</u>	<u>337,776</u>	<u>4,999,246</u>	<u>363,446</u>
Total business-type activities	<u>\$ 5,261,116</u>	<u>\$ 357,048</u>	<u>\$ 355,916</u>	<u>\$ 5,262,248</u>	<u>\$ 381,586</u>

The Special Assessment Bonds were issued for street reconstruction. The Ohio Water Development Authority (OWDA) loans relate to water, sewer and storm sewer projects. The Ohio Public Works Commission (OPWC) loans financed street 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 note payable to Lorain County was for the acquisition of equipment for the police department.

With the exception of the special assessment debt, all principal and interest payments are funded through utility user charges.

VILLAGE OF WELLINGTON, OHIO  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10 – DEBT (continued)

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

Year	Governmental Activities							
	Special		OPWC loans	OWDA loans		Lorain County	Total	
	Assessment Bonds	Principal		Principal	Interest		Principal	Principal
2016	\$ 5,312	\$1,494	\$ 33,156	\$ 5,656	\$ 13,324	\$ 5,000	\$ 49,124	\$ 14,818
2017	5,630	1,179	33,156	25,026	12,931	5,000	68,812	14,110
2018	5,965	845	33,156	25,676	12,281	5,000	69,797	13,126
2019	6,323	492	33,156	26,342	11,615	5,000	70,821	12,107
2020	2,046	118	19,529	27,026	10,931	5,000	53,601	11,049
2021 - 2025	-	-	97,645	146,030	43,756	-	243,675	43,756
2026 - 2030	-	-	84,957	166,001	23,788	-	250,958	23,788
2031 - 2035	-	-	44,574	91,328	3,564	-	135,902	3,564
2036 - 2040	-	-	14,605	-	-	-	14,605	-
2041 - 2045	-	-	14,605	-	-	-	14,605	-
	<u>\$25,276</u>	<u>\$4,128</u>	<u>\$ 408,539</u>	<u>\$ 513,085</u>	<u>\$ 132,190</u>	<u>\$25,000</u>	<u>\$971,900</u>	<u>\$136,318</u>

Year	Business-type Activities				
	OWDA loans		OPWC loans	Total	
	Principal	Interest		Principal	Principal
2016	\$ 363,446	\$ 237,265	\$ 18,140	\$ 381,586	\$ 237,265
2017	385,210	215,500	18,140	403,350	215,500
2018	405,442	195,270	18,140	423,582	195,270
2019	426,817	173,891	15,884	442,701	173,891
2020	449,401	151,307	13,633	463,034	151,307
2021 - 2025	1,634,396	442,481	53,638	1,688,034	442,481
2026 - 2030	567,532	212,552	43,765	611,297	212,552
2031 - 2035	648,267	98,771	29,165	677,432	98,771
2036 - 2040	118,735	4,103	29,165	147,900	4,103
2041 - 2045	-	-	23,332	23,332	-
	<u>\$ 4,999,246</u>	<u>\$ 1,731,140</u>	<u>\$ 263,002</u>	<u>\$ 5,262,248</u>	<u>\$ 1,731,140</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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 11 – 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 12 – 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 2015 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 2015, 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 2015, the Village paid \$ 24,908 to the Cemetery. Financial information can be obtained by contacting the Cemetery at 115 Willard Square, Wellington, Ohio, 44090.

D. WELLINGTON COMMUNITY IMPROVEMENT CORPORATION (CIC)

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 2015, 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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 13 – 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.

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NOTE 13 – 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](http://www.auditor.state.oh.us).

NOTE 14 – 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 28 years through a power cost adjustment.

VILLAGE OF WELLINGTON, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 – DEFINED BENEFIT PENSION PLANS

A. PLAN DESCRIPTION – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Plan Description - Village employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Village employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

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

VILLAGE OF WELLINGTON, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

A. PLAN DESCRIPTION – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (continued)

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
<u>State and Local</u>	<u>State and Local</u>	<u>State and Local</u>
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<u>Public Safety</u>	<u>Public Safety</u>	<u>Public Safety</u>
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
<u>Law Enforcement</u>	<u>Law Enforcement</u>	<u>Law Enforcement</u>
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
<u>Public Safety and Law Enforcement</u>	<u>Public Safety and Law Enforcement</u>	<u>Public Safety and Law Enforcement</u>
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

VILLAGE OF WELLINGTON, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

A. PLAN DESCRIPTION – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (continued)

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

	State and Local	Public Safety	Law Enforcement
2015 Statutory Maximum Contribution Rates			
Employer	14.0%	18.1%	18.1%
Employee:	10.0%	*	**
2015 Actual Contribution Rates			
Employer:			
Pension	12.0%	16.1%	16.1%
Post-employment Health Care Benefits	2.0%	2.0%	2.0%
Total Employer	<u>14.0%</u>	<u>18.1%</u>	<u>18.1%</u>
Employee	<u>10.0%</u>	<u>12.0%</u>	<u>13.0%</u>

\* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

\*\* This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village's contractually required contribution was \$ 273,696 for year 2015.

B. PLAN DESCRIPTION – OHIO POLICE & FIRE PENSION FUND (OPF)

Plan Description - Village full-time police participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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



VILLAGE OF WELLINGTON, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

B. PLAN DESCRIPTION – OHIO POLICE & FIRE PENSION FUND (OPF) (continued)

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

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

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

	<u>Police</u>	<u>Firefighters</u>
2015 Statutory Maximum Contribution Rates		
Employer	19.50%	24.00%
Employee:		
January 1, 2015 through July 1, 2015	11.50%	11.50%
July 2, 2015 through December 31, 2015	12.25%	12.25%
2015 Actual Contribution Rates		
Employer:		
Pension	19.00%	23.50%
Post-employment Health Care Benefits	<u>0.50%</u>	<u>0.50%</u>
Total Employer	<u>19.50%</u>	<u>24.00%</u>
Employee:		
January 1, 2015 through July 1, 2015	11.50%	11.50%
July 2, 2015 through December 31, 2015	12.25%	12.25%

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required contribution to OPF was \$ 69,487 for 2015. The Village has no firefighters.

VILLAGE OF WELLINGTON, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 16 – POSTEMPLOYMENT BENEFITS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

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

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying benefit recipients 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. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2014 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide OPEB benefits to its eligible benefit recipients. Authority to establish and amend health care coverage 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>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 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.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, state and local employers contributed at a rate of 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund the OPEB Plan.

VILLAGE OF WELLINGTON, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 16 – POSTEMPLOYMENT BENEFITS (continued)

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (continued)

OPERS' Post-employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code section 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. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2015. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions to OPERS for the years ending December 31, 2015, 2014, and 2013 were \$ 273,696, \$ 278,102 and \$ 271,513 respectively, of which \$ 39,099, \$ 39,713 and \$ 19,386 was allocated to the healthcare plan.

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 statutory survivor benefit 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](http://www.op-f.org).

VILLAGE OF WELLINGTON, OHIO  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 16 – 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, 19.5% and 24.0% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% 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 .5% of covered payroll from January 1, 2015 through December 31, 2015. 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 OP&F for the years ending December 31, 2015, 2014 and 2013 were \$ 69,487, \$ 59,990 and \$ 65,159, respectively, of which \$ 1,782, \$ 1,601 and \$ 12,099, respectively, was allocated to the healthcare plan.

NOTE 17 – SUBSEQUENT EVENTS

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



# ALGER & ASSOCIATES, Inc.

Certified Public Accountants

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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*

Village of Wellington  
Lorain County  
115 Willard Memorial Square  
Wellington, OH 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, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated April 14, 2017, 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.

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

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

### ***Compliance and Other Matters***

As part of reasonably assuring whether the 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*.

### ***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.

Alger and  
Associates Inc

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email=ksalger46@att.net, c=US  
Date: 2017.04.24 18:11:35 -0400

Alger & Associates, Inc.  
Certified Public Accountants  
North Canton, Ohio  
April 14, 2017

VILLAGE OF WELLINGTON  
LORAIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2016 AND 2015

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2014-001	<b>Material Weakness:</b> Maintaining Accurate Financial Statements.	Yes	Finding No Longer Valid

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# 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  
JUNE 13, 2017