

***WELLINGTON EXEMPTED VILLAGE  
SCHOOL DISTRICT***

***LORAIN COUNTY***

**Audit Report**

**For the Year Ended June 30, 2014**







# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Wellington Exempted Village School District, Lorain County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

May 1, 2015

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**WELLINGTON EXEMPTED SCHOOL DISTRICT  
LORAIN COUNTY  
AUDIT REPORT  
For the Year Ending June 30, 2014**

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

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## **INDEPENDENT AUDITORS' REPORT**

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

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wellington Exempted Village School District, Lorain County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Wellington Exempted Village School District, Lorain County, Ohio, as of June 30, 2014, and the changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



***Charles E. Harris & Associates, Inc.***  
January 23, 2015

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## **Wellington Exempted Village School District**

*Management's Discussion and Analysis*

*For the Fiscal Year June 30, 2014*

*Unaudited*

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It is a privilege to present to you the financial picture of Wellington Exempted Village School District. The discussion and analysis of Wellington Exempted Village School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for 2014 are as follows:

- In total, net position of governmental activities increased \$181,674, which represents a 2.1% increase from 2013. Further analysis of this increase may be found on page seven.
- Revenues for governmental activities totaled \$15,904,016 in 2014. Of this total, \$13,087,789 or 82.3% consisted of general revenues while program revenues accounted for the balance of \$2,816,227 or 17.7%.
- The School District had \$15,722,342 in expenses related to governmental activities; only \$2,816,227 of these expenses was offset by program specific charges for services and operating grants and contributions. General revenues (primarily taxes and school foundation) of \$13,087,789 were adequate for these programs.
- Program expenses totaled \$15,722,342. Instructional expenses made up \$9,241,722 or 58.8% of this total while support services accounted for \$4,953,051 or 31.5%. Other expenses, \$1,527,569 rounded out the remaining 9.7%.
- Unrestricted net position carried a balance of \$1,955,797, a decrease of \$861,615 from the prior year's balance of \$2,817,412. This component of net position is primarily related to the activity of the general fund.
- The School District had an inception of capital lease for the purchase of two school buses.

### **Using this Annual Financial Report**

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

## **Wellington Exempted Village School District**

*Management's Discussion and Analysis*

*For the Fiscal Year June 30, 2014*

*Unaudited*

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

### **Reporting the School District as a Whole**

#### *Statement of Net Position and the Statement of Activities*

The analysis of the School District as a whole begins on page seven. While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the questions, "Are we in a better financial position this year than last?" and "Why?" or "Why not?". The *Statement of Net Position* and the *Statement of Activities* assist in answering these questions. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in this position. This change in net position is important because it tells the readers that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

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

### **Reporting the School District's Most Significant Funds**

#### *Fund Financial Statements*

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

# Wellington Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year June 30, 2014

Unaudited

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

## The School District as a Whole

You may recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2014 compared to 2013:

**Table 1**  
Net Position  
Governmental Activities

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
Current and other assets	\$ 22,586,145	\$ 22,855,453
Capital assets, net of depreciation	<u>6,060,361</u>	<u>5,405,596</u>
Total assets	<u>28,646,506</u>	<u>28,261,049</u>
<b>Liabilities</b>		
Other liabilities	1,861,347	1,563,468
Long-term liabilities:		
Due within one year	472,872	625,705
Due in more than one year	<u>12,949,377</u>	<u>13,013,478</u>
Total liabilities	<u>15,283,596</u>	<u>15,202,651</u>
<b>Deferred inflows of resources</b>		
Property taxes	<u>4,533,309</u>	<u>4,410,471</u>
<b>Net Position</b>		
Net investment in capital assets	4,424,144	4,233,885
Restricted	2,449,660	1,596,630
Unrestricted	<u>1,955,797</u>	<u>2,817,412</u>
Total net position	<u>\$ 8,829,601</u>	<u>\$ 8,647,927</u>

## **Wellington Exempted Village School District**

*Management's Discussion and Analysis*

*For the Fiscal Year June 30, 2014*

*Unaudited*

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Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the School District's assets exceeded liabilities and deferred inflows of resources by \$8,829,601.

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

A portion of the School District's net position, \$2,449,660, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted net position, \$1,936,557 is restricted for capital projects, \$200,041 is restricted for debt service and \$313,062 is restricted for other purposes. Restricted for other purposes primarily include amounts generated by individual school buildings to supplement co-curricular and extra-curricular programs, and for resources restricted for the operation of the School District's recreation center.

The vast majority of revenues supporting governmental activities were general revenues. General revenues totaled \$13,087,789 or 82.3% of total revenue. The most significant portion of the general revenue is property taxes which is 31.4% of total revenue and intergovernmental grants and entitlements revenue (consisting of state foundation, homestead and rollback, and personal property tax exemption) which is 37.7% of total revenue. Income taxes accounted for 11.8% of total revenue. Investment earnings and miscellaneous revenue account for 1.3% of total revenue. The remaining amount of revenue received was in the form of program revenues, which equated \$2,816,227 or only 17.7% of total revenue.

# Wellington Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year June 30, 2014

Unaudited

Table 2 shows the changes in net position for fiscal years 2014 and 2013.

	<u>2014</u>	<u>2013</u>
<b>Program Revenues</b>		
Charges for services	\$ 874,956	\$ 899,276
Operating grants and contributions	1,151,768	969,269
Capital grants and contributions	789,503	255,381
Total program revenues	<u>2,816,227</u>	<u>2,123,926</u>
<b>General Revenues</b>		
Property taxes	4,995,565	4,934,160
Income taxes	1,878,524	1,774,556
Grants and entitlements	5,992,427	5,994,580
Payments in lieu taxes	11,107	8,340
Investment earnings	50,268	14,559
Miscellaneous	159,898	70,461
Total general revenues	<u>13,087,789</u>	<u>12,796,656</u>
Total revenues	<u>15,904,016</u>	<u>14,920,582</u>
<b>Program Expenses</b>		
Instruction:		
Regular	7,368,745	6,870,609
Special	1,746,780	1,535,194
Vocational	126,197	103,221
Support services:		
Pupils	830,131	701,889
Instructional staff	231,736	670,195
Board of education	28,353	65,644
Administration	1,459,794	1,326,600
Fiscal	352,396	380,265
Operation and maintenance of plant	1,247,688	1,181,191
Pupil transportation	576,756	561,785
Central	226,197	232,692
Operation non-instructional services	482,069	544,005
Extracurricular activities	563,824	395,138
Interest and fiscal charges	481,676	185,498
Issuance costs	-	163,267
Total Program Expenses	<u>15,722,342</u>	<u>14,917,193</u>
Change in net position	181,674	3,389
Net position beginning of year	<u>8,647,927</u>	<u>8,644,538</u>
Net position end of year	<u>\$ 8,829,601</u>	<u>\$ 8,647,927</u>

## **Wellington Exempted Village School District**

*Management's Discussion and Analysis*

*For the Fiscal Year June 30, 2014*

*Unaudited*

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Expenses increased \$805,149 or 5.4% in 2014 as compared to 2013. The overall rise in expenditures over the prior year is primarily attributable to increased compensation and other increased costs associated with operations and the teaching of pupils. The variances for instruction and support services expenditures are, in part, due to the Ohio Department of Education requiring a change in the accounting of costs associated with specified aides from pupils and instructional staff support services to regular and special instruction for the fiscal year ended June 30, 2014. During the same period, revenues increased by \$983,434 or 6.6%. This increase was mainly due to an increase in program related revenues for the current fiscal year.

Governmental Activities -The School District has carefully planned its financial existence by forecasting its revenues and expenditures over the next five years. The School District's revenue growth is mostly dependent upon property tax increases. Property taxes made up 31.4% of revenues for governmental activities for the School District in fiscal year 2014. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating cost.

Instruction comprises 58.8% of governmental program expenses. Additional supporting services for pupils, staff and business operations encompassed an additional 31.5%. The remaining 9.7% of program expenses is used for other obligations of the School District such as operation of non-instructional services, extracurricular activities, interest and fiscal charges and issuance costs.

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

## Wellington Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year June 30, 2014

Unaudited

**Table 3**  
Total and Net Cost of Program Services  
Governmental Activities

	Total Cost of Services <u>2014</u>	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2014</u>	Net Cost of Services <u>2013</u>
<b>Program Expenses</b>				
Instruction:				
Regular	\$ 7,368,745	\$ 6,870,609	\$ (5,857,998)	\$ (6,272,207)
Special	1,746,780	1,535,194	(1,314,195)	(1,208,501)
Vocational	126,197	103,221	(114,947)	(95,221)
Support services:				
Pupils	830,131	701,889	(819,594)	(701,889)
Instructional staff	231,736	670,195	(224,822)	(430,192)
Board of education	28,353	65,644	(28,353)	(65,644)
Administration	1,459,794	1,326,600	(1,343,550)	(1,260,749)
Fiscal	352,396	380,265	(352,396)	(380,265)
Operation and maintenance of plant	1,247,688	1,181,191	(1,247,688)	(1,181,191)
Pupil transportation	576,756	561,785	(539,751)	(561,785)
Central	226,197	232,692	(226,197)	(232,692)
Operation non-instructional services	482,069	544,005	2,836	(66,044)
Extracurricular activities	563,824	395,138	(357,784)	11,878
Interest and fiscal charges	481,676	185,498	(481,676)	(185,498)
Issuance costs	-	163,267	-	(163,267)
Total	<u>\$ 15,722,342</u>	<u>\$ 14,917,193</u>	<u>\$ (12,906,115)</u>	<u>\$ (12,793,267)</u>

The dependence upon tax revenues for governmental activities is apparent. The net cost of the programs of \$15,722,342 was supported by mostly by property taxes and unrestricted grants. Program revenues totaled \$2,816,227 accounting for 17.7% of all governmental revenues. Program revenues include charges for services, operating grants and contributions, and capital grants and contributions that are program specific. The community, as a whole, is the primary support for Wellington Exempted Village School District students.

### The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The total revenues and other financing sources for governmental funds were \$16,325,255 and total expenditures and other financing uses were \$17,001,429. The total governmental funds balance decreased by \$676,174, the School District continues to be financially stable with a total governmental fund balance of \$15,904,601 at year-end. Table 4 shows fiscal year 2014 fund balances compared to fiscal year 2013.

**Wellington Exempted Village School District***Management's Discussion and Analysis**For the Fiscal Year June 30, 2014**Unaudited***Table 4**  
Fund Balances

	<u>Fund Balance</u> <u>June 30, 2014</u>	<u>Fund Balance</u> <u>June 30, 2013</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percent</u> <u>Change</u>
General	\$ 2,567,293	\$ 3,448,480	\$ (881,187)	-25.55%
Classroom facilities	10,897,570	10,677,456	220,114	2.06%
Other governmental	<u>2,439,738</u>	<u>2,454,839</u>	<u>(15,101)</u>	-0.62%
Total	<u>\$ 15,904,601</u>	<u>\$ 16,580,775</u>	<u>\$ (676,174)</u>	

**General Fund**

The net change in fund balance for the fiscal year was not too significant in the general fund reporting a fund balance of \$2,567,293, a decrease of \$881,187 from 2013. This decrease was not attributable to any one specific item.

**Table 5**  
General Fund Changes in Revenues and Expenditures

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percent</u> <u>Change</u>
<u>Revenues:</u>				
Property taxes	\$ 4,347,446	\$ 4,526,611	\$ (179,165)	-3.96%
Income taxes	1,878,524	1,774,556	103,968	5.86%
Intergovernmental	6,083,082	5,951,862	131,220	2.20%
Interest	6,198	3,491	2,707	77.54%
Tuition and fees	439,335	398,407	40,928	10.27%
Extracurricular activities	69,645	148,896	(79,251)	-53.23%
Gifts and donations	28,966	20,396	8,570	42.02%
Charges for services	19,644	25,813	(6,169)	-23.90%
Payments in lieu of taxes	11,107	8,340	2,767	33.18%
Miscellaneous	<u>28,400</u>	<u>52,432</u>	<u>(24,032)</u>	-45.83%
Total revenues	<u>12,912,347</u>	<u>12,910,804</u>	<u>1,543</u>	

(Continued)

## Wellington Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year June 30, 2014

Unaudited

**Table 5 (Continued)**  
General Fund Changes in Revenues and Expenditures

	2014	2013	Increase	Percent
	Amount	Amount	(Decrease)	Change
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	7,010,899	6,560,936	449,963	6.86%
Special	1,323,285	1,112,914	210,371	18.90%
Vocational	105,353	102,004	3,349	3.28%
Support services:				
Pupils	810,835	715,357	95,478	13.35%
Instructional staff	231,167	585,957	(354,790)	-60.55%
Board of education	28,353	65,644	(37,291)	-56.81%
Administration	1,396,337	1,280,539	115,798	9.04%
Fiscal	343,942	372,142	(28,200)	-7.58%
Operation and maintenance of plant	1,139,971	1,108,767	31,204	2.81%
Pupil transportation	494,223	514,669	(20,446)	-3.97%
Central	226,763	233,779	(7,016)	-3.00%
Operation of non-instructional services	35,510	35,282	228	0.65%
Extracurricular	345,496	228,944	116,552	50.91%
Capital outlay	252,077	116,167	135,910	117.00%
Debt service:				
Principal retirement	50,017	4,177	45,840	1097.44%
Interest and fiscal charges	3,907	1,019	2,888	283.42%
Bond issuance costs	-	80,156	(80,156)	-100.00%
Total expenditures	<u>\$ 13,798,135</u>	<u>\$ 13,118,453</u>	<u>\$ 679,682</u>	

### General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant fund to be budgeted is the main operating fund of the School District, the general fund.

During the course of fiscal year 2014, the School District amended its general fund budget several times; however this amendment was not significant. Budget revisions are presented to the Board of Education for approval. For the general fund, the final budget basis revenue was \$12,778,676 representing a decrease of \$513,050 from the original budget estimate of \$13,291,726. Most of this difference is related to intergovernmental revenue not known during the original budget process. Actual revenue for the general fund was \$12,755,689, a decrease of \$22,987 from the final budget estimate. This decrease was not attributed to any single reason. The School District's general fund unencumbered cash balance at the end of the fiscal year was \$2,557,740.

## Wellington Exempted Village School District

Management's Discussion and Analysis

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The difference between the original budget appropriations and the final amended budget appropriations of the general fund was an increase of \$465,760. Most of the increase occurred in instruction and support services, which amounted to \$427,336. Actual expenditures, including encumbrances were under budget by \$50,914. This was the result of conservative spending by the School District.

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

### Capital Assets and Debt Administration

#### A. Capital Assets

At the end of fiscal year 2014, the School District had \$6,060,361 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Table 6 shows fiscal year 2014 values compared to 2013.

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

	Governmental Activities	
	2014	2013
Land	\$ 1,465,737	\$ 1,465,737
Construction in progress	759,373	-
Land improvements	274,495	298,114
Buildings and improvements	2,919,238	3,029,925
Furniture and equipment	440,899	490,684
Vehicles	200,619	121,136
Total capital assets	<u>\$ 6,060,361</u>	<u>\$ 5,405,596</u>

All capital assets, except land and construction in progress, are reported net of depreciation. As one can see, the most significant change in capital assets during the fiscal year occurred in construction in progress from expenses related to the School District's new middle school and auditorium projects. Additional information on capital assets can be found in Note 8.

#### B. Debt Administration

At June 30, 2014, the School District had \$12,595,814 in bonds (including bond accretion) and capital leases outstanding with \$268,277 due within one year. Table 7 summarizes the bonds outstanding:

## Wellington Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year June 30, 2014

Unaudited

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**Table 7**  
**Outstanding Debt, at Fiscal Year End**  
**Governmental Activities**

	<u>2014</u>	<u>2013</u>
2011 Energy Conservation Bonds	\$ 850,000	\$ 915,000
School Improvement Bonds, 2013A	7,279,023	7,499,950
Unamortized premium	168,127	177,743
School Improvement Bonds, 2013B	4,008,679	4,074,983
Unamortized premium	92,888	96,257
Capital leases	197,097	88,844
Total outstanding	<u>\$ 12,595,814</u>	<u>\$ 12,852,777</u>

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

During the fiscal year 2013, the School District issued \$7,499,950 and \$4,074,983 in school improvement bonds. These bonds were issued to fund the school facilities projects. See Note 13 and 14 to the basic financial statements for details on the School District's long-term obligations.

### School District Outlook

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

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

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

### Contacting the School District's Financial Management

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

# Wellington Exempted Village School District

## Statement of Net Position

June 30, 2014

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 7,096,581
Cash and cash equivalents:	
In segregated accounts	303,173
Investments in segregated accounts	8,905,786
Inventory held for resale	15,382
Receivables:	
Accounts	12,662
Intergovernmental	177,706
Property taxes	5,338,075
Income taxes	687,907
Accrued interest	7,203
Prepaid items	41,670
Capital assets:	
Nondepreciable capital assets	2,225,110
Depreciable capital assets	10,169,306
Accumulated depreciation	(6,334,055)
Total capital assets	<u>6,060,361</u>
Total assets	<u>28,646,506</u>
 <u>Liabilities:</u>	
Accounts payable	249,278
Accrued wages	1,186,089
Intergovernmental payable	390,131
Accrued interest payable	35,849
Long-term liabilities:	
Due within one year	472,872
Due in more than one year	12,949,377
Total liabilities	<u>15,283,596</u>
 <u>Deferred inflows of resources:</u>	
Property taxes	<u>4,533,309</u>
 <u>Net position:</u>	
Net investment in capital assets	4,424,144
Restricted for:	
Capital projects	1,936,557
Debt service	200,041
Other purposes	313,062
Unrestricted	<u>1,955,797</u>
Total net position	<u>\$ 8,829,601</u>

See accompanying notes to the basic financial statements.

**Wellington Exempted Village School District**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2014*

	Program Revenues			Net (Expense) Revenues and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$ 7,368,745	\$ 430,375	\$ 292,869	\$ 787,503	\$ (5,857,998)
Special	1,746,780	11,911	420,674	-	(1,314,195)
Vocational	126,197	-	11,250	-	(114,947)
Support services:					
Pupils	830,131	-	10,537	-	(819,594)
Instructional staff	231,736	-	6,914	-	(224,822)
Board of education	28,353	-	-	-	(28,353)
Administration	1,459,794	40,465	75,779	-	(1,343,550)
Fiscal	352,396	-	-	-	(352,396)
Operation and maintenance of plant	1,247,688	-	-	-	(1,247,688)
Pupil transportation	576,756	11	36,994	-	(539,751)
Central	226,197	-	-	-	(226,197)
Operation of non-instructional services	482,069	188,654	296,251	-	2,836
Extracurricular activities	563,824	203,540	500	2,000	(357,784)
Interest and fiscal charges	481,676	-	-	-	(481,676)
<b>Total governmental activities</b>	<b>\$ 15,722,342</b>	<b>\$ 874,956</b>	<b>\$ 1,151,768</b>	<b>\$ 789,503</b>	<b>(12,906,115)</b>

General Revenues:

Property taxes levied for:

General purposes	4,422,326
Debt service	491,735
School facilities maintenance	81,504

Income taxes levied for:

General purposes	1,878,524
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Grants and entitlements not restricted to specific programs

	5,992,427
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Payments in lieu of taxes	11,107
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Investment earnings	50,268
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Miscellaneous	159,898
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<b>Total general revenues</b>	<b>13,087,789</b>
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Change in net position	181,674
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Net position, beginning of year	8,647,927
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Net position, end of year	<b>\$ 8,829,601</b>
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See accompanying notes to the basic financial statements.

**Wellington Exempted Village School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2014*

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 2,795,140	\$ 1,949,740	\$ 2,351,701	\$ 7,096,581
Cash and cash equivalents:				
In segregated accounts	-	175,547	127,626	303,173
Investments in segregated accounts	-	8,905,786	-	8,905,786
Inventory held for resale	-	-	15,382	15,382
Receivables:				
Accounts	11,768	-	894	12,662
Intergovernmental	103,543	-	74,163	177,706
Accrued interest	1,205	5,998	-	7,203
Interfund	4,000	-	-	4,000
Property taxes	4,736,818	-	601,257	5,338,075
Income taxes	687,907	-	-	687,907
Prepaid items	41,670	-	-	41,670
Total assets	<u>\$ 8,382,051</u>	<u>\$ 11,037,071</u>	<u>\$ 3,171,023</u>	<u>\$ 22,590,145</u>
 <u>Liabilities, deferred inflows of resources and fund balances:</u>				
<u>Liabilities:</u>				
Accounts payable	\$ 44,055	\$ 139,501	\$ 65,722	\$ 249,278
Accrued wages	1,100,978	-	85,111	1,186,089
Interfund payable	-	-	4,000	4,000
Intergovernmental payable	362,637	-	27,494	390,131
Total liabilities	<u>1,507,670</u>	<u>139,501</u>	<u>182,327</u>	<u>1,829,498</u>
 <u>Deferred inflows of resources:</u>				
Property taxes	4,023,356	-	509,953	4,533,309
Unavailable revenue	8,322	-	3,667	11,989
Unavailable revenue - delinquent property taxes	275,410	-	35,338	310,748
Total deferred inflows of resources	<u>4,307,088</u>	<u>-</u>	<u>548,958</u>	<u>4,856,046</u>
 <u>Fund balances:</u>				
Nonspendable	41,670	-	-	41,670
Restricted	-	10,897,570	2,470,627	13,368,197
Assigned	1,498,508	-	-	1,498,508
Unassigned	1,027,115	-	(30,889)	996,226
Total fund balances	<u>2,567,293</u>	<u>10,897,570</u>	<u>2,439,738</u>	<u>15,904,601</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,382,051</u>	<u>\$ 11,037,071</u>	<u>\$ 3,171,023</u>	<u>\$ 22,590,145</u>

See accompanying notes to the basic financial statements.

**Wellington Exempted Village School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities*  
 June 30, 2014

<b>Total governmental fund balances</b>		\$ 15,904,601
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		6,060,361
Other long-term assets that are not available to pay for current-period expenditures and therefore are unavailable in the funds:		
Property taxes	\$ 310,748	
Intergovernmental	2,785	
Tuition and fees	8,276	
Miscellaneous	46	
Extracurricular activities	882	
	<hr/>	322,737
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	\$ (12,398,717)	
Compensated absences	(826,435)	
Capital leases	(197,097)	
Accrued interest payable	(35,849)	
Total	<hr/>	<hr/> (13,458,098)
<b>Net position of governmental activities</b>		<hr/> <b>\$ 8,829,601</b> <hr/>

See accompanying notes to the basic financial statements.

# Wellington Exempted Village School District

## Statement of Revenues, Expenditures

### and Changes in Fund Balances

#### Governmental Funds

For the Fiscal Year Ended June 30, 2014

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property taxes	\$ 4,347,446	\$ -	\$ 554,886	\$ 4,902,332
Income taxes	1,878,524	-	-	1,878,524
Intergovernmental	6,083,082	820,063	1,013,883	7,917,028
Interest	6,198	42,092	1,978	50,268
Tuition and fees	439,335	-	-	439,335
Extracurricular activities	69,645	-	174,080	243,725
Gifts and donations	28,966	-	233,460	262,426
Charges for services	19,644	-	160,824	180,468
Payments in lieu of taxes	11,107	-	-	11,107
Miscellaneous	28,400	-	3,835	32,235
<b>Total revenues</b>	<b>12,912,347</b>	<b>862,155</b>	<b>2,142,946</b>	<b>15,917,448</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	7,010,899	-	191,060	7,201,959
Special	1,323,285	-	405,040	1,728,325
Vocational	105,353	-	19,250	124,603
<b>Support services:</b>				
Pupils	810,835	-	10,137	820,972
Instructional staff	231,167	-	7,231	238,398
Board of education	28,353	-	-	28,353
Administration	1,396,337	-	48,337	1,444,674
Fiscal	343,942	-	18,248	362,190
Operation and maintenance of plant	1,139,971	-	-	1,139,971
Pupil transportation	494,223	-	38,399	532,622
Central	226,763	-	-	226,763
Operation of non-instructional services	35,510	-	445,294	480,804
Extracurricular activities	345,496	-	209,603	555,099
Capital outlay	252,077	642,041	122,485	1,016,603
<b>Debt service:</b>				
Principal retirement	50,017	-	410,000	460,017
Interest and fiscal charges	3,907	-	434,566	438,473
<b>Total expenditures</b>	<b>13,798,135</b>	<b>642,041</b>	<b>2,359,650</b>	<b>16,799,826</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(885,788)</b>	<b>220,114</b>	<b>(216,704)</b>	<b>(882,378)</b>
<b>Other financing sources (uses):</b>				
Sale of capital assets	47,934	-	-	47,934
Inception of capital lease	158,270	-	-	158,270
Transfers in	-	-	201,603	201,603
Transfers out	(201,603)	-	-	(201,603)
<b>Total other financing sources (uses)</b>	<b>4,601</b>	<b>-</b>	<b>201,603</b>	<b>206,204</b>
<b>Net change in fund balances</b>	<b>(881,187)</b>	<b>220,114</b>	<b>(15,101)</b>	<b>(676,174)</b>
Fund balances at beginning of year	3,448,480	10,677,456	2,454,839	16,580,775
<b>Fund balances at end of year</b>	<b>\$ 2,567,293</b>	<b>\$ 10,897,570</b>	<b>\$ 2,439,738</b>	<b>\$ 15,904,601</b>

See accompanying notes to the basic financial statements.

**Wellington Exempted Village School District**

*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2014*

**Net change in fund balances - total governmental funds** \$ (676,174)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital asset additions	\$	1,016,603	
Capital contributions		2,000	
Depreciation expense		(288,105)	
Excess of capital outlay over depreciation expense			730,498

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (75,733)

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

Property taxes	\$	93,233	
Intergovernmental		(107,191)	
Tuition and fees		5,376	
Extracurricular activities		882	
Miscellaneous		(7,732)	
Net change in deferred inflows of resources during the year			(15,432)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 460,017

Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability.

The following activities are the results of capital lease transactions:

Inception of a capital lease (158,270)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in compensated absences	\$	(40,029)	
Decrease in accrued interest		1,581	
Amortization of premium		12,985	
Bond accretion		(57,769)	
Total additional expenditures			(83,232)

**Change in net position of governmental activities** \$ 181,674

See accompanying notes to the basic financial statements.

## Wellington Exempted Village School District

Statement of Revenues, Expenditures and Changes in Fund Balance -  
Budget (Non-GAAP Basis) and Actual - General Fund  
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Taxes	\$ 4,433,100	\$ 4,410,620	\$ 4,410,620	\$ -
Income taxes	1,987,873	1,848,742	1,848,742	-
Intergovernmental	6,154,501	6,012,528	6,012,528	-
Interest	3,491	1,228	1,268	40
Tuition and fees	547,052	409,009	409,009	-
Extracurricular activities	97,997	28,578	28,578	-
Gifts and donations	12,016	8,725	5,000	(3,725)
Payments in lieu of taxes	5,573	13,874	13,874	-
Miscellaneous	50,123	45,372	26,070	(19,302)
Total revenues	<u>13,291,726</u>	<u>12,778,676</u>	<u>12,755,689</u>	<u>(22,987)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,814,869	6,909,889	6,909,769	120
Special	1,219,094	1,338,954	1,338,954	-
Vocational	101,882	104,893	104,893	-
Support services:				
Pupils	709,189	809,131	809,131	-
Instructional staff	401,968	329,774	329,774	-
Board of education	33,167	60,662	60,662	-
Administration	1,278,142	1,380,308	1,380,308	-
Fiscal	375,427	363,854	353,508	10,346
Operation and maintenance of plant	1,152,893	1,231,409	1,219,070	12,339
Pupil transportation	560,513	544,529	544,529	-
Central	252,116	253,193	225,084	28,109
Operation of non-instructional services	-	315	315	-
Extracurricular activities	228,944	347,209	347,209	-
Debt service:				
Issuance costs	80,156	-	-	-
Total expenditures	<u>13,208,360</u>	<u>13,674,120</u>	<u>13,623,206</u>	<u>50,914</u>
Excess of revenues over (under) expenditures	<u>83,366</u>	<u>(895,444)</u>	<u>(867,517)</u>	<u>27,927</u>
<u>Other financing sources (uses):</u>				
Proceeds from sale of capital assets	4,625	37,527	37,527	-
Refund of prior year expenditures	19,207	42,041	42,041	-
Other financing sources	476	-	-	-
Advances in	22,112	21,297	21,297	-
Advances out	(21,297)	-	-	-
Transfers out	(242,392)	(213,505)	(213,505)	-
Total other financing sources (uses)	<u>(217,269)</u>	<u>(112,640)</u>	<u>(112,640)</u>	<u>-</u>
Net change in fund balance	(133,903)	(1,008,084)	(980,157)	27,927
Fund balance at beginning of year	3,369,815	3,369,815	3,369,815	-
Prior year encumbrances appropriated	168,082	168,082	168,082	-
Fund balance at end of year	<u>\$ 3,403,994</u>	<u>\$ 2,529,813</u>	<u>\$ 2,557,740</u>	<u>\$ 27,927</u>

See accompanying notes to the basic financial statements.

**Wellington Exempted Village School District**

*Statement of Assets and Liabilities*

*Agency Funds*

*June 30, 2014*

	<u>Agency</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 30,360
	<u><u>30,360</u></u>
<u>Liabilities:</u>	
Due to students	\$ 30,360
	<u>30,360</u>
Total liabilities	\$ 30,360
	<u><u>30,360</u></u>

See accompanying notes to the basic financial statements.

*Wellington Exempted Village School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**Note 1 - Summary of Significant Accounting Policies**

Description of the School District

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

The School District was established through the consolidation of existing land areas and school districts. The School District serves an area of approximately sixty four square miles. It is located in Lorain and Huron Counties. It is staffed by 60 non-certificated employees and 103 certificated personnel who provide services to 1,301 students and other community members.

Reporting Entity

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

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

The School District is associated with organizations which are defined as a jointly governed organizations, public entity risk pools and insurance purchasing pools. These organizations include the North Coast Council (NCC), Tri-Rivers Educational Computer Association (TRECA), Lake Erie Regional Council of Governments, Lorain County Joint Vocational School District and Ohio School Plan. These organizations are presented in Notes 15, 16 and 17 to the basic financial statements.

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity for establishing governmental accounting and financial reporting principles. Following are the more significant of the School District's accounting polices.

*Wellington Exempted Village School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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A. Basis of Presentation – Fund Accounting

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

Government-wide Financial Statements

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

The Statement of Net Position presents the financial condition of the governmental activities of the School District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds Types

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

*Wellington Exempted Village School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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

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

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

Fiduciary Fund Types

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

C. Measurement Focus and Basis of Accounting

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets, liabilities, deferred outflows of resources and deferred inflows of resources associated with the operation of the School District are included on the Statement of Net Position. The Statement of Activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

*Wellington Exempted Village School District*  
*Notes to the Basic Financial Statements*  
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Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, "available" means expected to be received within sixty days of year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, investment earnings, tuition, grants and entitlements, and student fees.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The School District did not have any deferred outflows of resources at year end.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance year 2015 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as inflows of resources in the period the amounts become available.

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Expenditures/Expenses

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

D. Budgets and Budgetary Accounting

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

The Certificate of Estimated Resources and the Appropriation Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The amounts reported as the original budgeted revenue in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2014. The amounts reported as the original budgeted expenditures reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditures represent the final appropriation amounts passed by the Board during the year.

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

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E. Cash and Investments

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in pooled cash and cash equivalents". Also, the School District maintains segregated accounts for the classroom facilities and building funds, which are presented as "Cash and cash equivalents in segregated accounts".

During the fiscal year, investments were limited to instruments of government sponsored mortgage-backed securities and an interest in STAR Ohio, the State Treasurer's Investment Pool. These investments are stated at cost, which approximates market value (fair value). Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to certain trust funds, unless the Board specifically allows the interest to be recorded in other funds. The Board of Education has passed a resolution to allow interest to also be recorded in other funds as explained in Note 4.

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2014, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

G. Inventory

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

H. Capital Assets

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

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

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

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

**I. Interfund Balances**

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

**J. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

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

For the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. At June 30, 2014, the School District did not have any matured compensated absences.

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

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

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

*Wellington Exempted Village School District*  
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L. Fund Balance

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

Nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

Assigned fund balance classifications are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. The purpose constraint that represents the intended use is established by the Board of Education or by their designated official. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District or by State statute. The Treasurer is authorized to assign fund balance using encumbrances for planned purchases, provided such amounts have been lawfully appropriated. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

*Wellington Exempted Village School District*  
*Notes to the Basic Financial Statements*  
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M. Net Position

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

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

N. Bond Premium

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

O. Interfund Transactions

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

P. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note 2 – Fund Balances**

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

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Fund Balances	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Nonspendable</u>				
Prepays	\$ 41,670	\$ -	\$ -	\$ 41,670
<u>Restricted for</u>				
Athletics and music	-	-	127,349	127,349
Instructional programs	-	-	22,926	22,926
Special education	-	-	10,009	10,009
Classroom facilities maintenance	-	-	144,108	144,108
Capital improvements	-	10,897,570	1,960,680	12,858,250
Debt service payments	-	-	205,555	205,555
Total restricted	<u>-</u>	<u>10,897,570</u>	<u>2,470,627</u>	<u>13,368,197</u>
<u>Assigned</u>				
Public school support	33,189	-	-	33,189
Latchkey	2,211	-	-	2,211
Encumbrances	67,456	-	-	67,456
Next year's appropriation	<u>1,395,652</u>	<u>-</u>	<u>-</u>	<u>1,395,652</u>
Total assigned	<u>1,498,508</u>	<u>-</u>	<u>-</u>	<u>1,498,508</u>
Unassigned (deficit)	<u>1,027,115</u>	<u>-</u>	<u>(30,889)</u>	<u>996,226</u>
Total fund balances	<u>\$ 2,567,293</u>	<u>\$ 10,897,570</u>	<u>\$ 2,439,738</u>	<u>\$ 15,904,601</u>

**Note 3 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the modified accrual basis of generally accepted accounting principles are that:

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

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

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

Net Change in Fund Balance	
	<u>General</u>
GAAP basis	\$ (881,187)
Net adjustment for revenue accruals	(163,231)
Advances in	21,297
Current year adjustment for fair market value of investments	(3,725)
Net adjustment for expenditure accruals	230,076
Perspective differences from funds budgeted as special revenue funds:	
Revenues	(116,338)
Transfers from general fund	(11,902)
Expenditures	134,924
Encumbrances (Budget Basis) outstanding at year end	<u>(190,071)</u>
Budget basis	<u>\$ (980,157)</u>

**Note 4 - Deposits and Investments**

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

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

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

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

Interim monies may be invested in the following securities:

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1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in the amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Wellington Exempted Village School District**  
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A. Deposits

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

As of June 30, the carrying amount of the School District's deposits was \$4,232,061. The School District's bank balance of \$4,512,624 was not exposed to custodial credit risk.

B. Investments

As of June 30, 2014 the School District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
STAR Ohio	\$ 2,204,803	51.4 <sup>(2)</sup>	AAA <sup>m</sup> <sup>(1)</sup>
Federal National Mortgage Assn.	500,485	11/22/17	AA+ <sup>(1)</sup>
Federal Farm Credit Bank	492,765	11/13/18	AA+ <sup>(1)</sup>
Investments reported in classroom facilities fund:			
Federal Home Loan Mortgage Corp.	701,729	12/29/14	AA+ <sup>(1)</sup>
Federal Farm Credit Bank	680,680	04/09/15	AA+ <sup>(1)</sup>
Federal Farm Credit Bank	1,951,950	05/25/15	AA+ <sup>(1)</sup>
Federal National Mortgage Assn.	2,183,510	08/28/15	AA+ <sup>(1)</sup>
Federal National Mortgage Assn.	1,326,444	12/15/15	AA+ <sup>(1)</sup>
Federal Home Loan Bank	1,561,123	01/16/15	AA+ <sup>(1)</sup>
Federal Home Loan Bank	<u>500,350</u>	03/18/16	AA+ <sup>(1)</sup>
Subtotal of investments reported in classroom facilities fund	<u>8,905,786</u>		
Total Government Sponsored Enterprises	<u>\$ 12,103,839</u>		

<sup>(1)</sup> Standard and Poor's rating.

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 Securities Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2014.

***Wellington Exempted Village School District***

***Notes to the Basic Financial Statements***

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Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The investments in the Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), Federal Home Loan Mortgage Corporation (FHLMC) and Federal National Mortgage Association (FNMA) are held by the counterparty's trust department or agent and not in the School District's name. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

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

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. Standard and Poor's has assigned STAR Ohio an AAAM rating and the FHLB, FFCB, FHLMC and FNMA bonds an AA+ rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating.

Concentration of credit risk is the possibility of loss attributed to the magnitude of the School District's investment in a single issuer. More than 5% of the School District's investments are in FHLB, FFCB, FHLMC and FNMA bonds. These investments are 17%, 26%, 6%, and 33% of the School District's total investments and 100% of investments in single issuers. The investment in Star Ohio is a pooled investment and not of a single issuer. The School District's policy places no limit on the amount that may be invested in any one issuer.

All interest is legally required to be placed in the general fund, and building capital projects fund. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$6,198, which includes \$1,721 assigned from other School District funds.

**Note 5 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used for public utility) located in the School District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**Wellington Exempted Village School District**  
*Notes to the Basic Financial Statements*  
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Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Lorain County and Huron County. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at year-end was \$438,052 in the general fund, \$48,035 in the debt service fund and \$7,931 in the classroom facilities maintenance fund and is recognized as revenue on the fund financial statements.

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

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2014 <u>Assessed Value</u>	2013 <u>Assessed Value</u>
Real Property		
Residential and Agricultural	\$ 144,215,240	\$ 143,573,150
Commercial and Industrial	31,180,350	30,842,810
Public Utilities	-	157,620
Tangible Personal Property		
Public Utilities	<u>8,590,770</u>	<u>7,739,980</u>
Total	<u>\$ 183,986,360</u>	<u>\$ 182,313,560</u>

**Note 6 - Receivables**

Receivables at year-end consisted of taxes, accounts (tuition), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs, and the current year guarantee of federal funds. The general fund reported an intergovernmental receivable for \$103,543 for a workers' compensation dividend and for reimbursements. Other nonmajor governmental funds recorded intergovernmental receivables for state and federal grants and reimbursements in the amount of \$74,163.

*Wellington Exempted Village School District*  
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**Note 7 - Interfund Transactions**

Interfund balances at June 30, 2014 consisted of the following:

Due to general fund from:		
Nonmajor governmental funds	\$	4,000

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2014, all interfund loans outstanding are anticipated to be repaid in fiscal year 2015. These interfund balances will be repaid once the anticipated revenues are received. Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2014 are reported on the statement of net position.

Interfund transfers for the year ended June 30, 2014, consisted of the following:

Transfers from general fund to:		
Nonmajor governmental funds	\$	201,603

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

**Wellington Exempted Village School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

**Note 8 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

<u>Governmental Activities</u>	<u>Balance June 30, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2014</u>
Capital assets, not being depreciated:				
Land	\$ 1,465,737	\$ -	\$ -	\$ 1,465,737
Construction in progress	<u>-</u>	<u>759,373</u>	<u>-</u>	<u>759,373</u>
Total capital assets, not being depreciated	<u>1,465,737</u>	<u>759,373</u>	<u>-</u>	<u>2,225,110</u>
Capital assets, being depreciated:				
Land improvements	830,625	-	-	830,625
Buildings	7,383,364	44,885	(16,835)	7,411,414
Furniture and equipment	1,218,733	56,075	(83,992)	1,190,816
Vehicles	<u>728,334</u>	<u>158,270</u>	<u>(150,153)</u>	<u>736,451</u>
Total capital assets, being depreciated	<u>10,161,056</u>	<u>259,230</u>	<u>(250,980)</u>	<u>10,169,306</u>
Less: Accumulated depreciation				
Land improvements	(532,511)	(23,619)	-	(556,130)
Buildings	(4,353,439)	(151,652)	12,915	(4,492,176)
Furniture and equipment	(728,049)	(75,649)	53,781	(749,917)
Vehicles	<u>(607,198)</u>	<u>(37,185)</u>	<u>108,551</u>	<u>(535,832)</u>
Total accumulated depreciation	<u>(6,221,197)</u>	<u>(288,105)</u>	<u>175,247</u>	<u>(6,334,055)</u>
Total capital assets being depreciated, net	<u>3,939,859</u>	<u>(28,875)</u>	<u>(75,733)</u>	<u>3,835,251</u>
Governmental activities capital assets, net	<u>\$ 5,405,596</u>	<u>\$ 730,498</u>	<u>\$ (75,733)</u>	<u>\$ 6,060,361</u>

**Wellington Exempted Village School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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

Instruction:	
Regular	\$ 149,212
Special	2,110
Vocational	187
Support services:	
Pupil	2,044
Instructional staff	63
Administration	15,327
Fiscal	240
Operation and maintenance of plant	75,377
Pupil transportation	36,090
Operation of non-instructional services	4,243
Extracurricular activities	<u>3,212</u>
Total depreciation expense	<u>\$ 288,105</u>

**Note 9 - Risk Management**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2014, the School District contracted with a commercial insurance provider for liability, fleet and property insurance coverage. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

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

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

**Note 10 - Employee Benefits**

**A. Compensated Absences**

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

*Wellington Exempted Village School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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B. Life Insurance

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

**Note 11 - Defined Benefit Pension Plans**

A. School Employee Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the system. For fiscal year 2014, 13.10 percent of annual covered salary was the portion used to fund pension and death benefits. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$264,987, \$243,492 and \$234,838 respectively; 76.9 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System

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

*Wellington Exempted Village School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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

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

Funding Policy - For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The statutory maximum employee contribution rate will be increased 1 percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates as specified above for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$757,113, \$709,726 and \$775,543 respectively; 82.4 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$52,371 made by the School District and \$41,149 made by the plan members.

### C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2014, several members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

**Note 12 - Postemployment Benefits**

A. School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105 (e). For 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2014, this amount was \$20,250.

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

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$33,699, \$31,194 and \$35,080 respectively; 97.1 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013 and 2012 were \$15,373, \$13,754 and \$13,868 respectively; 76.9 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System

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

**Wellington Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2014*

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Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District’s contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$58,239, \$54,594 and \$59,657 respectively; 82.4 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current one percent allocation to the health care fund effective July 1, 2014.

**Note 13 - Capitalized Leases - Lessee**

During 2014, the School District entered in to a capital lease agreement for the acquisition of two buses and in a prior fiscal year for copiers and printers. The term of the agreement provide options to purchase the equipment. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements of governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by lease have been capitalized as equipment in the amount of \$251,291 equal to the present value of the future minimum lease payments at the time of acquisition. Principal payments in the current fiscal year totaled \$50,017. The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments at year-end.

<u>Fiscal</u> <u>Year</u>	<u>Lease</u> <u>Payments</u>
2015	\$ 53,924
2016	53,924
2017	53,924
2018	<u>48,729</u>
Total minimum lease payments	210,501
Less: amount representing interest	<u>(13,404)</u>
Total	<u>\$ 197,097</u>

**Wellington Exempted Village School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

**Note 14 - Bonded Debt and Other Long-Term Obligations**

Changes in debt and long-term obligations of the School District during fiscal year 2014 were as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental Activities</b>					
Bonds:					
School Improvement - 2013A					
Term bonds 1.5% - 4.0%	\$ 7,375,000	\$ -	\$ (240,000)	\$ 7,135,000	\$ 130,000
Capital appreciation	124,950	-	-	124,950	-
Accretion on bonds	-	19,073	-	19,073	-
Premium	177,743	-	(9,616)	168,127	-
School Improvement - 2013B					
Term bonds 3.0% - 4.0%	3,955,000	-	-	3,955,000	-
Capital appreciation	119,983	-	(85,135)	34,848	12,992
Accretion on bonds	-	38,696	(19,865)	18,831	12,008
Premium	96,257	-	(3,369)	92,888	-
Energy Conservation					
Improvement 6.0%	<u>915,000</u>	<u>-</u>	<u>(65,000)</u>	<u>850,000</u>	<u>65,000</u>
Total bonds	<u>12,763,933</u>	<u>57,769</u>	<u>(422,985)</u>	<u>12,398,717</u>	<u>220,000</u>
Other long-term obligations:					
Capital lease	88,844	158,270	(50,017)	197,097	48,277
Compensated absences	<u>786,406</u>	<u>262,948</u>	<u>(222,919)</u>	<u>826,435</u>	<u>204,595</u>
Total other long-term obligations	<u>875,250</u>	<u>421,218</u>	<u>(272,936)</u>	<u>1,023,532</u>	<u>252,872</u>
Total long-term liabilities	<u>\$ 13,639,183</u>	<u>\$ 478,987</u>	<u>\$ (695,921)</u>	<u>\$ 13,422,249</u>	<u>\$ 472,872</u>

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

**Wellington Exempted Village School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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

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

Principal and interest requirements to amortize all bonds outstanding at June 30, 2014 are as follows:

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 207,992	\$ 440,246	\$ 648,238
2016	208,315	439,073	647,388
2017	205,321	436,141	641,462
2018	207,725	427,813	635,538
2019	212,179	427,208	639,387
2020-2024	1,068,266	2,223,922	3,292,188
2025-2029	1,450,000	1,727,937	3,177,937
2030-2034	1,660,000	1,508,512	3,168,512
2035-2039	2,150,000	1,203,625	3,353,625
2040-2044	2,535,000	734,200	3,269,200
2045-2049	<u>2,195,000</u>	<u>273,000</u>	<u>2,468,000</u>
Total	<u>\$ 12,099,798</u>	<u>\$ 9,841,677</u>	<u>\$ 21,941,475</u>

**Note 15 - Jointly Governed Organizations**

A. North Coast Council (NCC)

(NCC) is a jointly governed organization comprised of thirty-two member school districts and two educational service centers. The jointly governed organization was formed for the purpose of providing support and leadership which enables organizations to achieve their objectives through innovative and cost effective shared technology solutions. NCC is governed by a nine member Board of Directors chosen from the general membership of the NCC. Each participating entity's contribution to NCC is dependent upon student enrollment and/or software packages and services utilized. Financial information for NCC can be obtained by contacting the Treasurer at the Cuyahoga County Educational Service Center, which serves as fiscal agent. As of June 30, 2014, the School District terminated membership services with NCC. During fiscal year 2014, the School District contributed \$68,343 to NCC.

*Wellington Exempted Village School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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B. Tri-Rivers Educational Computer Association (TRECA)

The District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium comprised of thirty-six school districts. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of TRECA consists of one representative from each county elected by majority vote of all charter member school districts within each county, one representative from the City school districts, and the superintendent from Tri-Rivers Joint Vocational School. During fiscal year 2014, the School District paid \$2,992 to TRECA for various services. Financial information can be obtained from TRECA, 100 Executive Drive, Marion, Ohio 43302.

C. Lorain County Joint Vocational School District

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

**Note 16 - Public Entity Risk Pool**

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

**Note 17 – Insurance Purchasing Pool**

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

*Wellington Exempted Village School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**Note 18 - Contingencies**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

**Note 19 - Set-Asides**

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

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

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

	Capital Improvement Reserve
Set-aside reserve balance as of June 30, 2013	\$ -
Current year set-aside requirement	221,674
Current year offsets	(435,263)
Qualifying disbursements	<u>-</u>
Total	<u>\$ (213,589)</u>
Set-aside balance carried forward to future fiscal years	<u>\$ -</u>

*Wellington Exempted Village School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**Note 20 - School District Income Tax**

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

**Note 21 - Accountability**

As of June 30, 2014, the School District had several funds with a deficit fund balance. These deficits were caused by the application of GAAP; namely in the reporting of various liabilities attributable to the fiscal year. These deficit balances will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The following funds had a deficit balance:

	<u>Amount</u>
<u>Nonmajor special revenue fund:</u>	
Food service	\$ 26,754
Vocational education enhancement	4,000
Title II-A Improving teacher quality	135

**Note 22 – Construction Commitments**

At the close of fiscal year 2014, the School District had contractual commitments of \$823,694 related to the Ohio School Facilities projects. These commitments are due to the construction projects being reported in the classroom facilities fund. The School District also had encumbrance commitments in the amount of \$126,570 for the new auditorium.

**WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT**

Federal Awards Expenditures Schedule

For the Year Ended June 30, 2014

Federal Grantor/Program Title	Pass Through Entity Number	CFDA Number	Receipts Recognized	Program Expenditures
<u>U.S. Department of Agriculture</u>				
Nutrition Cluster:				
Passed Through the Ohio Department of Education				
Cash Assistance:				
Breakfast Program	045658-05PU-2014	10.553	\$ 59,231	\$ 59,231
National School Lunch Program	045658-LLP4-2014	10.555	189,497	189,497
Direct Program				
Non-Cash Assistance:				
National School Lunch Program (Food Distribution)	n/a	10.555	25,696	25,696
Total Nutrition Cluster			274,424	274,424
Passed Through the Ohio Department of Education				
Child Nutrition Mini Grant	na	10.574	1,950	1,032
National School Lunch & Breakfast Expansion Grant	na	10.560	14,500	-
<b>Total U.S. Department of Agriculture</b>			<b>290,874</b>	<b>275,456</b>
<u>U.S. Department of Education</u>				
Passed through Ohio Department of Education				
Title I - Financial Assistance to Meet Special Education Needs of Disadvantaged Children				
Title I - FY 14	045658-CISI-2014	84.010	195,491	192,796
Title I - FY 13	045658-CISI-2013	84.010	53,478	49,990
Total Title I			248,969	242,786
IDEA B, Special Education - Assistance to States for Education of Handicapped Children				
IDEA B - FY 14	045658-6BSF-2014	84.027	215,370	206,901
IDEA B - FY 13	045658-6BSF-2013	84.027	17,155	33,072
Total IDEA-B, Special Education			232,525	239,973
Title II-A FY 14				
Title II-A FY 14	045658-TRSI-2014	84.367	38,781	38,781
Title II-A FY 13	045658-TRSI-2013	84.367	783	-
Total Title II-A			39,564	38,781
<b>Total U.S. Department of Education</b>			<b>521,058</b>	<b>521,540</b>
<b>Total Federal Receipts and Expenditures</b>			<b>\$ 811,932</b>	<b>\$ 796,996</b>

See accompanying Notes to the Federal Awards Expenditures Schedule

**WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT**  
**Lorain County, Ohio**  
**Notes to the Federal Awards Expenditures Schedule**  
**For the Year Ended June 30, 2014**

1. Significant Accounting Policies

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

2. Food Distribution

Nonmonetary assistance is reported in the schedule at entitlement value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2014, the District had immaterial food commodities in inventory.

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

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wellington Exempted Village School District, Lorain County, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 23, 2015.

***Internal Control Over Financial Reporting***

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

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

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

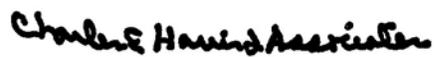
***Compliance and Other Matters***

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

However, we noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 23, 2015.

***Purpose of this Report***

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



***Charles E. Harris & Associates, Inc.***  
January 23, 2015

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Fax - (216) 436-2411

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

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

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

To the Board of Education:

***Report on Compliance for the Major Federal Program***

We have audited the Wellington Exempted Village School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2014. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on the Major Federal Program***

In our opinion, the Wellington Exempted Village School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

***Report on Internal Control Over Compliance***

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



***Charles E. Harris & Associates, Inc.***  
January 23, 2015

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

**WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
LORAIN COUNTY  
June 30, 2014**

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unmodified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any significant deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	IDEA VI-B Special Education CFDA # 84.027
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

**WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
LORAIN COUNTY  
JUNE 30, 2014**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

The prior audit report, for the year ended June 30, 2013, reported no material citations or recommendations.



# Dave Yost • Auditor of State

**WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT**

**LORAIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 14, 2015**