

***WELLINGTON EXEMPTED VILLAGE  
SCHOOL DISTRICT***

***LORAIN COUNTY***

**Audit Report**

**For the Year Ended June 30, 2015**







# 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, 2014 through June 30, 2015. 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

February 12, 2016

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WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
LORAIN COUNTY  
AUDIT REPORT  
For the Year Ending June 30, 2015

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**INDEPENDENT AUDITORS' REPORT**

Wellington Exempted Village School District  
Lorain County  
305 Union 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, 2015, 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, 2015, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 2 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. We did not modify our opinion regarding these matters.

### **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 and schedules of net pension liabilities and pension contributions 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 Information*

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

The Federal Awards Expenditures 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 relates 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 schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 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.

A handwritten signature in black ink that reads "Charles E. Harris". The signature is written in a cursive, slightly slanted style.

***Charles E. Harris & Associates, Inc.***  
December 16, 2015

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## **Wellington Exempted Village School District**

*Management's Discussion and Analysis*

*For the Fiscal Year June 30, 2015*

*Unaudited*

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It is a privilege to present to you the financial picture of the Wellington Exempted Village School District. The discussion and analysis of the 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, 2015. 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 2015 are as follows:

- Net position of governmental activities increased \$5,129,905 from 2014. Further analysis of this increase may be found on page seven.
- Revenues for governmental activities totaled \$20,120,054 in 2015. Of this total, \$13,162,114 or 65.4% consisted of general revenues while program revenues accounted for the balance of \$6,957,940 or 34.6%.
- The School District had \$14,990,149 in expenses related to governmental activities; only \$6,957,940 of these expenses was offset by program specific charges for services, operating and capital grants and contributions. General revenues (primarily taxes and school foundation) of \$13,162,114 were adequate for these programs.
- Program expenses totaled \$14,990,149. Instructional expenses made up \$8,670,317 or 57.8% of this total while support services accounted for \$4,856,186 or 32.4%. Other expenses, \$1,463,646 rounded out the remaining 9.8%.
- At the end of the current fiscal year, the governmental funds reported a combined ending fund balance of \$9,525,705, a decrease of \$6,378,896 from 2014.

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

This annual report consists of a series of financial statements, notes to those statements and the required supplementary information. These statements are organized so the reader can understand the 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, 2015*

*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 the 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, deferred outflows of resources, liabilities and deferred inflows of resources 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 eleven. 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, 2015*

*Unaudited*

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**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**

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Over time, net position can serve as a useful indicator of a government's financial position. During fiscal year 2015, the School District had an increase in net position of \$5,129,905. The increase in total assets of \$7,025,720 is largely attributable to a significant increase in capital assets from ongoing construction.

Capital assets, reported on the government-wide statements represent a large component of net position. Capital assets include construction in progress, 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, \$7,684,369, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted net position, \$7,016,210 is restricted for capital projects, \$268,843 is restricted for debt service and \$399,316 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. Table 1 provides a summary of the School District's net position for 2015 compared to 2014:

# Wellington Exempted Village School District

## Management's Discussion and Analysis

For the Fiscal Year June 30, 2015

Unaudited

**Table 1**  
Net Position  
Governmental Activities

	<u>2015</u>	<u>Restated 2014</u>
<b>Assets</b>		
Current and other assets	\$ 18,681,644	\$ 22,586,145
Capital assets, net of depreciation	<u>16,990,582</u>	<u>6,060,361</u>
Total assets	<u>35,672,226</u>	<u>28,646,506</u>
<b>Deferred outflows of resources</b>		
Pension	<u>1,179,137</u>	<u>1,002,536</u>
Total deferred outflows of resources	<u>1,179,137</u>	<u>1,002,536</u>
<b>Liabilities</b>		
Other liabilities	4,331,555	1,861,347
Long-term liabilities:		
Due within one year	476,951	472,872
Due in more than one year:		
Net pension liability	16,638,587	19,770,687
Other amounts	<u>12,691,741</u>	<u>12,949,377</u>
Total liabilities	<u>34,138,834</u>	<u>35,054,283</u>
<b>Deferred inflows of resources</b>		
Property taxes	4,511,848	4,533,309
Pension	<u>3,009,326</u>	<u>-</u>
Total deferred inflows of resources	<u>7,521,174</u>	<u>4,533,309</u>
<b>Net Position</b>		
Net investment in capital assets	4,701,738	4,424,144
Restricted	7,684,369	2,449,660
Unrestricted	<u>(17,194,752)</u>	<u>(16,812,354)</u>
Total net position	<u>\$ (4,808,645)</u>	<u>\$ (9,938,550)</u>

During 2015, the School District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. Users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension. This implementation also had the effect of restating net position at June 30, 2014, from \$8,829,601 to \$(9,938,550). See Note 2 to the basic financial statements for further discussion on the implementation of GASB 68.

The School District's statement of activities prepared on an accrual basis of accounting includes an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

# Wellington Exempted Village School District

## Management's Discussion and Analysis

For the Fiscal Year June 30, 2015

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The School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting in the statement of net position.

Table 2 shows the changes in net position for fiscal years 2015 and 2014.

	<u>2015</u>	<u>2014</u>
<b>Program Revenues</b>		
Charges for services	\$ 1,029,669	\$ 874,956
Operating grants and contributions	1,095,386	1,151,768
Capital grants and contributions	<u>4,832,885</u>	<u>789,503</u>
Total program revenues	<u>6,957,940</u>	<u>2,816,227</u>
<b>General Revenues</b>		
Property taxes	5,181,355	4,995,565
Income taxes	1,857,915	1,878,524
Grants and entitlements	6,045,843	5,992,427
Payments in lieu taxes	5,573	11,107
Investment earnings	34,972	50,268
Miscellaneous	<u>36,456</u>	<u>159,898</u>
Total general revenues	<u>13,162,114</u>	<u>13,087,789</u>
Total revenues	<u>20,120,054</u>	<u>15,904,016</u>
<b>Program Expenses</b>		
Instruction:		
Regular	7,001,230	7,368,745
Special	1,556,754	1,746,780
Vocational	112,333	126,197
Support services:		
Pupils	810,501	830,131
Instructional staff	409,711	231,736
Board of education	32,354	28,353
Administration	1,303,581	1,459,794
Fiscal	384,378	352,396
Business	100,409	-
Operation and maintenance of plant	1,258,577	1,247,688
Pupil transportation	481,428	576,756
Central	75,247	226,197
Operation non-instructional services	460,742	482,069
Extracurricular activities	559,503	563,824
Interest and fiscal charges	<u>443,401</u>	<u>481,676</u>
Total Program Expenses	<u>14,990,149</u>	<u>15,722,342</u>
Change in net position	<u>\$ 5,129,905</u>	<u>\$ 181,674</u>

## **Wellington Exempted Village School District**

*Management's Discussion and Analysis*

*For the Fiscal Year June 30, 2015*

*Unaudited*

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### ***Governmental Activities***

The vast majority of revenues supporting governmental activities were general revenues. General revenues totaled \$13,162,114 or 65.4% of total revenue. The most significant portion of the general revenue is property taxes which is 25.8% of total revenue and intergovernmental grants and entitlements revenue (consisting of state foundation, homestead and rollback, and personal property tax exemption) which is 30.0% of total revenue. Income taxes accounted for 9.2% of total revenue. Payments in lieu of taxes, investment earnings and miscellaneous revenue account for 0.4% of total revenue. The remaining amount of revenue received was in the form of program revenues, which equated \$6,957,940 or 34.6% of total revenue.

With the combination of taxes and intergovernmental funding comprising approximately 65.0% of all revenues, the School District monitors both of these revenue sources very closely for fluctuations.

A review of Table 2 shows that the total cost of instructional services was \$8,670,317, or 57.8% of all governmental program expenses. Instructional expenses include activities directly related to the teaching of pupils as well as the interaction between teacher and pupil.

Pupil service and instructional staff expenses include the activities involved in assisting staff and the content and process of teaching to pupils. Such expenses represent \$1,220,212, or 8.1% of total governmental program expenses.

The board of education, administration, fiscal and business classifications reflect expenses associated with establishing and administering school operation policies, financial operations and activities concerned with purchasing, receiving and maintaining goods and services for the School District. Combined, these costs totaled \$1,820,722, or 12.1% of all governmental expenses.

Costs associated with the operation and maintenance of plant represent those expenses necessary for the care and upkeep of the School District's buildings, grounds and equipment. Current year expenses of \$1,258,577 made up 8.4% of all governmental expenses.

Pupil transportation is related primarily to the activities at the School District's Transportation Center. This amount mainly includes salaries and wages, maintenance, fuel costs and depreciation of related vehicles, equipment and buildings. For 2015, this expense is \$481,428 or 3.2% of all governmental expenses.

The dependence upon tax revenues for governmental activities is apparent with only 46.4% of governmental expenses supported by program revenues.

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,022,536 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$722,966. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

## Wellington Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year June 30, 2015

Unaudited

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Total 2015 program expenses under GASB 68	\$ 14,990,149
Pension expense under GASB 68	(722,966)
2015 contractually required contribution	<u>1,022,341</u>
Adjusted 2015 program expenses	15,289,524
Total 2014 program expenses under GASB 27	<u>15,722,342</u>
Decrease in program expenses not related to pension	<u>\$ (432,818)</u>

As a result of GASB 68, the School District is reporting a significant net pension liability and related deferred inflows of resources which have a negative effect on net position. In addition, the School District is reporting deferred outflows of resources and a reduction of expenses related to pension for this fiscal year, which have a positive consequence on net position. This expense amount is the difference between the contractually required contributions and the pension expense resulting from the change in the net pension liability that is not reported as deferred inflows or outflows. These two amounts can be found in the reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities. To further explain the impact of this new accounting standard on the School District's net position, additional information is presented below.

Net position	\$ (4,808,645)
Deferred outflows - pension	(1,179,137)
Deferred inflows - pension	3,009,326
Net pension liability	<u>16,638,587</u>
Net position without new standard	<u>\$ 13,660,131</u>
Impact of GASB 68 on net position end of year	\$ (18,468,776)
Pension expense under GASB 68	722,966
Contractually required contribution	<u>(1,022,341)</u>
Impact of GASB 68 on net position beginning of year	<u>\$ (18,768,151)</u>

### 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 \$20,350,943 and total expenditures and other financing uses were \$26,729,839. The total governmental funds balance decreased by \$6,378,896, the School District continues to be financially stable with a total governmental fund balance of \$9,525,705 at year-end. Table 3 shows fiscal year 2015 fund balances compared to fiscal year 2014.

**Wellington Exempted Village School District***Management's Discussion and Analysis**For the Fiscal Year June 30, 2015**Unaudited***Table 3**  
Fund Balances

	<u>Fund Balance</u> <u>June 30, 2015</u>	<u>Fund Balance</u> <u>June 30, 2014</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percent</u> <u>Change</u>
General	\$ 2,375,172	\$ 2,567,293	\$ (192,121)	-7.48%
Classroom facilities	6,073,915	10,897,570	(4,823,655)	-44.26%
Other governmental	<u>1,076,618</u>	<u>2,439,738</u>	<u>(1,363,120)</u>	-55.87%
Total	<u>\$ 9,525,705</u>	<u>\$ 15,904,601</u>	<u>\$ (6,378,896)</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 \$2,375,172, a decrease of \$192,121 from 2014. This decrease was not attributable to any one specific item.

**Table 4**  
General Fund Changes in Revenues and Expenditures

	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percent</u> <u>Change</u>
<u>Revenues:</u>				
Property taxes	\$ 4,425,135	\$ 4,347,446	\$ 77,689	1.79%
Income taxes	1,857,915	1,878,524	(20,609)	-1.10%
Intergovernmental	6,102,203	6,083,082	19,121	0.31%
Interest	13,535	6,198	7,337	118.38%
Tuition and fees	564,952	439,335	125,617	28.59%
Extracurricular activities	77,604	69,645	7,959	11.43%
Gifts and donations	25,703	28,966	(3,263)	-11.26%
Charges for services	32,245	19,644	12,601	64.15%
Rent	3,635	-	3,635	0.00%
Payments in lieu of taxes	5,573	11,107	(5,534)	-49.82%
Miscellaneous	<u>21,781</u>	<u>28,400</u>	<u>(6,619)</u>	-23.31%
Total revenues	<u>13,130,281</u>	<u>12,912,347</u>	<u>217,934</u>	

(Continued)

## Wellington Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year June 30, 2015

Unaudited

**Table 4 (Continued)**  
General Fund Changes in Revenues and Expenditures

	2015	2014	Increase	Percent
	<u>Amount</u>	<u>Amount</u>	<u>(Decrease)</u>	<u>Change</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,776,644	7,010,899	(234,255)	-3.34%
Special	1,154,239	1,323,285	(169,046)	-12.77%
Vocational	106,884	105,353	1,531	1.45%
Support services:				
Pupils	827,578	810,835	16,743	2.06%
Instructional staff	406,652	231,167	175,485	75.91%
Board of education	32,537	28,353	4,184	14.76%
Administration	1,269,793	1,396,337	(126,544)	-9.06%
Fiscal	340,453	343,942	(3,489)	-1.01%
Business	93,540	-	93,540	100.00%
Operation and maintenance of plant	1,111,604	1,139,971	(28,367)	-2.49%
Pupil transportation	458,032	494,223	(36,191)	-7.32%
Central	78,013	226,763	(148,750)	-65.60%
Operation of non-instructional services	55,295	35,510	19,785	55.72%
Extracurricular	356,665	345,496	11,169	3.23%
Capital outlay	9,500	252,077	(242,577)	-96.23%
Debt service:				
Principal retirement	48,277	50,017	(1,740)	-3.48%
Interest and fiscal charges	5,647	3,907	1,740	44.54%
Total expenditures	<u>\$ 13,131,353</u>	<u>\$ 13,798,135</u>	<u>\$ (666,782)</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 2015, 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 and other financing sources was \$13,232,453 representing an increase of \$405,900 from the original budget estimate of \$12,826,553. Most of this difference is related to intergovernmental revenue not known during the original budget process. Actual revenue and other financing sources for the general fund was \$13,094,288, an increase of \$267,735 from the original budget estimate. This increase was not attributed to any single reason. The School District's general fund unencumbered cash balance at the end of the fiscal year was \$2,112,177.

## Wellington Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year June 30, 2015

Unaudited

The difference between the original budget appropriations and other financing uses and the final amended budget appropriations and other financing uses of the general fund was an increase of \$408,191. Most of the increase occurred in instruction and support services, which amounted to \$335,216. Actual expenditures, including encumbrances were under budget by \$462,422. 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 2015, the School District had \$16,990,582 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Table 5 shows fiscal year 2015 values compared to 2014.

**Table 5**  
Capital Assets, at Fiscal Year End  
(Net of Depreciation)

	Governmental Activities	
	<u>2015</u>	<u>2014</u>
Land	\$ 1,465,737	\$ 1,465,737
Construction in progress	12,081,104	759,373
Land improvements	249,816	274,495
Buildings and improvements	2,728,718	2,919,238
Furniture and equipment	287,727	440,899
Vehicles	<u>177,480</u>	<u>200,619</u>
Total capital assets	<u>\$ 16,990,582</u>	<u>\$ 6,060,361</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 9.

#### B. Debt Administration

At June 30, 2015, the School District had \$12,360,066 in bonds (including bond accretion) and capital leases outstanding with \$274,775 due within one year. Table 6 summarizes the bonds outstanding:

## Wellington Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year June 30, 2015

Unaudited

**Table 6**  
**Outstanding Debt, at Fiscal Year End**  
**Governmental Activities**

	<u>2015</u>	<u>2014</u>
2011 Energy Conservation Bonds	\$ 785,000	\$ 850,000
School Improvement Bonds, 2013A	7,170,431	7,279,023
Unamortized premium	158,689	168,127
School Improvement Bonds, 2013B	4,007,597	4,008,679
Unamortized premium	89,529	92,888
Capital leases	148,820	197,097
Total outstanding	<u>\$ 12,360,066</u>	<u>\$ 12,595,814</u>

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

During the fiscal year 2013, the School District issued \$7,499,950 and \$4,074,983 in school improvement bonds. These bonds were issued to fund the school facilities projects. See Note 14 and 15 to the basic financial statements for details on the School District's long-term obligations.

### **School District Outlook**

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

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 Michael Pissini, Treasurer at Wellington Exempted Village School District, 305 Union Street, Wellington, Ohio 44090, or call 440-647-4286.

# Wellington Exempted Village School District

## Statement of Net Position

June 30, 2015

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 4,199,645
Cash and cash equivalents:	
In segregated accounts	4,021,349
Investments in segregated accounts	4,007,312
Inventory held for resale	18,926
Receivables:	
Accounts	21,364
Intergovernmental	99,731
Property taxes	5,399,772
Income taxes	698,104
Accrued interest	4,156
Prepaid items	211,285
Capital assets:	
Nondepreciable capital assets	13,546,841
Depreciable capital assets	9,600,798
Accumulated depreciation	(6,157,057)
Total capital assets	16,990,582
Total assets	35,672,226
<u>Deferred outflows of resources:</u>	
Pension	1,179,137
<u>Liabilities:</u>	
Accounts payable	2,832,726
Accrued wages	1,110,925
Matured compensated absences payable	32,228
Intergovernmental payable	304,320
Accrued interest payable	35,361
Unearned revenue	15,995
Long-term liabilities:	
Due within one year	476,951
Due in more than one year:	
Net pension liability	16,638,587
Other amounts due in more than one year	12,691,741
Total liabilities	34,138,834
<u>Deferred inflows of resources:</u>	
Property taxes	4,511,848
Pension	3,009,326
Total deferred inflows of resources	7,521,174
<u>Net position:</u>	
Net investment in capital assets	4,701,738
Restricted for:	
Capital projects	7,016,210
Debt service	268,843
Other purposes	399,316
Unrestricted	(17,194,752)
Total net position	\$ (4,808,645)

See accompanying notes to the basic financial statements.

**Wellington Exempted Village School District**

*Statement of Activities*

For the Fiscal Year Ended June 30, 2015

	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	\$ 7,001,230	\$ 555,341	\$ 86,814	\$ 4,832,885	\$ (1,526,190)
Special	1,556,754	-	596,812	-	(959,942)
Vocational	112,333	-	7,585	-	(104,748)
Support services:					
Pupils	810,501	-	16,400	-	(794,101)
Instructional staff	409,711	-	5,793	-	(403,918)
Board of education	32,354	-	-	-	(32,354)
Administration	1,303,581	44,092	48,981	-	(1,210,508)
Fiscal	384,378	16,041	8,934	-	(359,403)
Business	100,409	-	-	-	(100,409)
Operation and maintenance of plant	1,258,577	3,635	-	-	(1,254,942)
Pupil transportation	481,428	4,190	3,390	-	(473,848)
Central	75,247	-	-	-	(75,247)
Operation of non-instructional services	460,742	215,307	293,020	-	47,585
Extracurricular activities	559,503	191,063	27,657	-	(340,783)
Interest and fiscal charges	443,401	-	-	-	(443,401)
Total governmental activities	<u>\$ 14,990,149</u>	<u>\$ 1,029,669</u>	<u>\$ 1,095,386</u>	<u>\$ 4,832,885</u>	<u>(8,032,209)</u>

General Revenues:

Property taxes levied for:

General purposes	4,595,582
Debt service	503,310
School facilities maintenance	82,463

Income taxes levied for:

General purposes	1,857,915
------------------	-----------

Grants and entitlements not restricted to specific programs

Payments in lieu of taxes	5,573
Investment earnings	34,972
Miscellaneous	36,456

Total general revenues

13,162,114

Change in net position

5,129,905

Net position at beginning of year, restated

(9,938,550)

Net position at end of year

\$ (4,808,645)

See accompanying notes to the basic financial statements.

# Wellington Exempted Village School District

## Balance Sheet

### Governmental Funds

June 30, 2015

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b><u>Assets:</u></b>				
Equity in pooled cash and cash equivalents	\$ 2,347,533	\$ 140,548	\$ 1,711,564	\$ 4,199,645
Cash and cash equivalents:				
In segregated accounts	-	4,021,349	-	4,021,349
Investments in segregated accounts	-	4,007,312	-	4,007,312
Inventory held for resale	-	-	18,926	18,926
Receivables:				
Accounts	4,626	-	16,738	21,364
Intergovernmental	28,740	-	70,991	99,731
Accrued interest	809	3,347	-	4,156
Interfund	4,000	-	-	4,000
Property taxes	4,787,907	-	611,865	5,399,772
Income taxes	698,104	-	-	698,104
Prepaid items	196,472	-	14,813	211,285
Total assets	<u>\$ 8,068,191</u>	<u>\$ 8,172,556</u>	<u>\$ 2,444,897</u>	<u>\$ 18,685,644</u>
<b><u>Liabilities, deferred inflows of resources and fund balances:</u></b>				
<b><u>Liabilities:</u></b>				
Accounts payable	\$ 45,673	\$ 2,098,641	\$ 688,412	\$ 2,832,726
Accrued wages	1,024,452	-	86,473	1,110,925
Matured compensated absences payable	32,228	-	-	32,228
Interfund payable	-	-	4,000	4,000
Intergovernmental payable	281,576	-	22,744	304,320
Unearned revenue	-	-	15,995	15,995
Total liabilities	<u>1,383,929</u>	<u>2,098,641</u>	<u>817,624</u>	<u>4,300,194</u>
<b><u>Deferred inflows of resources:</u></b>				
Property taxes	4,001,466	-	510,382	4,511,848
Unavailable revenue	-	-	513	513
Unavailable revenue - delinquent property taxes	307,624	-	39,760	347,384
Total deferred inflows of resources	<u>4,309,090</u>	<u>-</u>	<u>550,655</u>	<u>4,859,745</u>
<b><u>Fund balances:</u></b>				
Nonspendable	196,472	-	14,813	211,285
Restricted	-	6,073,915	1,611,029	7,684,944
Assigned	580,891	-	-	580,891
Unassigned	1,597,809	-	(549,224)	1,048,585
Total fund balances	<u>2,375,172</u>	<u>6,073,915</u>	<u>1,076,618</u>	<u>9,525,705</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,068,191</u>	<u>\$ 8,172,556</u>	<u>\$ 2,444,897</u>	<u>\$ 18,685,644</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, 2015

<b>Total governmental fund balances</b>		\$ 9,525,705
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.		16,990,582
Other long-term assets that are not available to pay for current-period expenditures and therefore are unavailable in the funds:		
Property taxes	\$ 347,384	
Extracurricular activities	513	
		347,897
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds:		
Deferred outflows - pension	\$ 1,179,137	
Deferred inflows - pension	(3,009,326)	
Net pension liability	(16,638,587)	
		(18,468,776)
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	\$ (12,211,246)	
Compensated absences	(808,626)	
Capital leases	(148,820)	
Accrued interest payable	(35,361)	
Total		(13,204,053)
<b>Net position of governmental activities</b>		<u>\$ (4,808,645)</u>

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, 2015

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property taxes	\$ 4,425,135	\$ -	\$ 719,584	\$ 5,144,719
Income taxes	1,857,915	-	-	1,857,915
Intergovernmental	6,102,203	4,113,861	936,887	11,152,951
Interest	13,535	21,437	-	34,972
Tuition and fees	564,952	-	-	564,952
Extracurricular activities	77,604	-	163,084	240,688
Gifts and donations	25,703	-	814,796	840,499
Charges for services	32,245	-	172,129	204,374
Rent	3,635	-	-	3,635
Payments in lieu of taxes	5,573	-	-	5,573
Miscellaneous	21,781	-	22,835	44,616
<b>Total revenues</b>	<b>13,130,281</b>	<b>4,135,298</b>	<b>2,829,315</b>	<b>20,094,894</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	6,776,644	-	152,623	6,929,267
Special	1,154,239	-	446,096	1,600,335
Vocational	106,884	-	6,250	113,134
<b>Support services:</b>				
Pupils	827,578	-	15,816	843,394
Instructional staff	406,652	-	6,194	412,846
Board of education	32,537	-	-	32,537
Administration	1,269,793	-	46,004	1,315,797
Fiscal	340,453	-	56,967	397,420
Business	93,540	-	-	93,540
Operation and maintenance of plant	1,111,604	-	52,786	1,164,390
Pupil transportation	458,032	-	7,166	465,198
Central	78,013	-	-	78,013
Operation of non-instructional services	55,295	-	389,401	444,696
Extracurricular activities	356,665	-	206,342	563,007
Capital outlay	9,500	8,958,953	2,372,126	11,340,579
<b>Debt service:</b>				
Principal retirement	48,277	-	220,000	268,277
Interest and fiscal charges	5,647	-	405,713	411,360
<b>Total expenditures</b>	<b>13,131,353</b>	<b>8,958,953</b>	<b>4,383,484</b>	<b>26,473,790</b>
<b>Excess of revenues under expenditures</b>	<b>(1,072)</b>	<b>(4,823,655)</b>	<b>(1,554,169)</b>	<b>(6,378,896)</b>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	256,049	256,049
Transfers out	(191,049)	-	(65,000)	(256,049)
<b>Total other financing sources (uses)</b>	<b>(191,049)</b>	<b>-</b>	<b>191,049</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(192,121)</b>	<b>(4,823,655)</b>	<b>(1,363,120)</b>	<b>(6,378,896)</b>
Fund balances at beginning of year	2,567,293	10,897,570	2,439,738	15,904,601
Fund balances at end of year	\$ 2,375,172	\$ 6,073,915	\$ 1,076,618	\$ 9,525,705

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, 2015*

<b>Net change in fund balances - total governmental funds</b>	\$	(6,378,896)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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:</p>		
Capital asset additions	\$	11,340,579
Depreciation expense		(249,036)
Excess of capital outlay over depreciation expense		<u>11,091,543</u>
<p>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.</p>		
		(161,322)
<p>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:</p>		
Property taxes	\$	36,636
Intergovernmental		(2,785)
Tuition and fees		(8,276)
Extracurricular activities		(369)
Miscellaneous		(46)
Net change in deferred inflows of resources during the year		<u>25,160</u>
<p>Contractually required pension contributions are reported as expenditures in the governmental funds; however, the statement of activities reports these amounts as deferred outflows.</p>		
		1,022,341
<p>Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.</p>		
		(722,966)
<p>Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		268,277
<p>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:</p>		
Decrease in compensated absences	\$	17,809
Decrease in accrued interest		488
Amortization of premium		12,797
Bond accretion		(45,326)
Total additional expenditures		<u>(14,232)</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>5,129,905</u></b>

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, 2015*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Taxes	\$ 4,399,797	\$ 4,522,604	\$ 4,384,370	\$ (138,234)
Income taxes	1,847,718	1,847,718	1,847,718	-
Intergovernmental	6,012,528	6,148,766	6,148,766	-
Interest	1,268	12,854	12,923	69
Tuition and fees	409,009	535,909	535,909	-
Rent	-	3,635	3,635	-
Extracurricular activities	28,577	32,538	32,538	-
Gifts and donations	5,000	16,551	16,551	-
Payments in lieu of taxes	5,573	5,573	5,573	-
Miscellaneous	16,218	16,218	16,218	-
Total revenues	12,725,688	13,142,366	13,004,201	(138,165)
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	6,909,127	6,957,693	6,887,296	70,397
Special	1,258,797	1,235,796	1,221,903	13,893
Vocational	104,893	118,658	117,761	897
Support services:				
Pupils	809,133	919,154	888,214	30,940
Instructional staff	318,086	468,505	437,420	31,085
Board of education	60,662	50,898	33,676	17,222
Administration	1,340,079	1,367,360	1,339,516	27,844
Fiscal	363,664	390,379	347,199	43,180
Business	-	93,319	92,231	1,088
Operation and maintenance of plant	1,219,070	1,190,253	1,154,428	35,825
Pupil transportation	544,529	569,652	511,466	58,186
Central	225,084	126,673	82,275	44,398
Operation of non-instructional services	315	15,275	14,775	500
Extracurricular activities	347,209	379,657	357,355	22,302
Total expenditures	13,500,648	13,883,272	13,485,515	397,757
Excess of revenues under expenditures	(774,960)	(740,906)	(481,314)	259,592
<b>Other financing sources (uses):</b>				
Proceeds from sale of capital assets	37,527	-	-	-
Refund of prior year expenditures	42,041	47,986	47,986	-
Advances in	21,297	-	-	-
Transfers in	-	42,101	42,101	-
Transfers out	(283,505)	(309,072)	(244,407)	64,665
Total other financing sources (uses)	(182,640)	(218,985)	(154,320)	64,665
Net change in fund balance	(957,600)	(959,891)	(635,634)	324,257
Fund balance at beginning of year	2,557,740	2,557,740	2,557,740	-
Prior year encumbrances appropriated	190,071	190,071	190,071	-
Fund balance at end of year	\$ 1,790,211	\$ 1,787,920	\$ 2,112,177	\$ 324,257

See accompanying notes to the basic financial statements.

**Wellington Exempted Village School District**

*Statement of Assets and Liabilities*

*Agency Funds*

*June 30, 2015*

	<u>Agency</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	<u>\$ 30,801</u>
<u>Liabilities:</u>	
Due to students	<u>\$ 30,801</u>
Total liabilities	<u>\$ 30,801</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, 2015*

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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 46 non-certificated employees and 70 certificated personnel who provide services to 1,206 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 16, 17 and 18 to the basic financial statements.

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

## **Wellington Exempted Village School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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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, 2015*

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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 and outflows of resources, and in the presentation of expenses versus expenditures.

## **Wellington Exempted Village School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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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. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 12.

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, 2015, but which were levied to finance year 2016 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. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 12)

## **Wellington Exempted Village School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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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 2015. The amounts reported as the original budgeted expenditures reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditures represent the final appropriation amounts passed by the Board during the year.

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

## **Wellington Exempted Village School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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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 fund, which is 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 5.

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

#### F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2015, 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 five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. The School District's policy is not to capitalize interest costs incurred as part of construction.

## Wellington Exempted Village School District

### Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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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. Net pension liability and pension expense

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

The current accounting standard requires School Districts to report their proportionate share of the net pension liability using the earning approach to pension accounting instead of the funding approach as previously used. The funding approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. Under the new standards, the net pension liability equals the School District's proportionate share of each plan's collective present value of estimated future pension benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

Pension obligations, whether funded or unfunded, are part of the employment exchange. The employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. The unfunded portion of this benefit of exchange is a liability of the School District. However, the School District is not responsible for key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Benefit provisions and both employer and employee contribution rates are determined by State statute. The employee and employer enter the employment exchange with the knowledge that the exchange is limited by law. The pension system is responsible for the administration of the plan.

There is no repayment schedule for the net pension liability. The School District has no control over the changes in the pension benefits, contributions rate, and return on investments affecting the balance of the net pension liability. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not identify the responsible party for the unfunded portion. Due to the unique nature of how the pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

## **Wellington Exempted Village School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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#### K. 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.

#### L. 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.

#### M. 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.

## **Wellington Exempted Village School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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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.

#### N. Net Position

Net position represents the difference between all other elements in a statement of financial position. 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.

**Wellington Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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O. 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 receipted in the year the bonds are issued.

P. 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.

Q. 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 – Change in Accounting Principle and Restatement of Net Position**

For fiscal year 2015, the School District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net position June 30, 2014	\$8,829,601
Adjustments:	
Net pension liability	(19,770,687)
Deferred outflow - payments subsequent to measurement date	<u>1,002,536</u>
Restated net position June 30, 2014	<u><u>(\$9,938,550)</u></u>

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

**Wellington Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

**Note 3 – 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:

Fund Balances	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Nonspendable</u>				
Prepays	\$ 196,472	\$ -	\$ 14,813	\$ 211,285
<u>Restricted for</u>				
Food service	-	-	32,124	32,124
Athletics and music	-	-	100,070	100,070
Instructional programs	-	-	14,816	14,816
Classroom facilities maintenance	-	-	251,699	251,699
Capital improvements	-	6,073,915	942,295	7,016,210
Debt service payments	-	-	270,025	270,025
Total restricted	-	6,073,915	1,611,029	7,684,944
<u>Assigned</u>				
Public school support	33,667	-	-	33,667
Latchkey	3,185	-	-	3,185
Encumbrances	113,572	-	-	113,572
Next year's appropriation	430,467	-	-	430,467
Total assigned	580,891	-	-	580,891
Unassigned (deficit)	1,597,809	-	(549,224)	1,048,585
Total fund balances	\$ 2,375,172	\$ 6,073,915	\$ 1,076,618	\$ 9,525,705

**Note 4 - 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).

## Wellington Exempted Village School District

### Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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).
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.

	<u>General</u>
GAAP basis	\$ (192,121)
Net adjustment for revenue accruals	82,351
Prior year adjustment for fair market value of investments	3,725
Current year adjustment for fair market value of investments	(4,733)
Net adjustment for expenditure accruals	(337,011)
Perspective differences from funds budgeted as special revenue funds:	
Revenues	(117,336)
Transfers from general fund	(11,257)
Expenditures	125,684
Encumbrances (Budget Basis) outstanding at year end	<u>(184,936)</u>
Budget basis	<u><u>\$ (635,634)</u></u>

### **Note 5 - Deposits and Investments**

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

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

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

## **Wellington Exempted Village School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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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:

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. Commercial paper notes, limited to 40% (5% for a single issuer) in total of the interim monies available for investment at any one time and for a period not to exceed two hundred seventy days; and,
8. Bankers acceptances, limited to 40% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days.

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

### Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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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 \$7,457,866. The School District's bank balance of \$7,468,611 was not exposed to custodial credit risk.

#### B. Investments

As of June 30, 2015 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	\$ 295,339	53.4 <sup>(2)</sup>	AAAm <sup>(1)</sup>
Federal Farm Credit Bank	498,590	11/13/18	AA+ <sup>(1)</sup>
Investments reported in classroom facilities fund:			
Federal National Mortgage Assn.	2,180,741	08/28/15	AA+ <sup>(1)</sup>
Federal National Mortgage Assn.	1,325,941	12/15/15	AA+ <sup>(1)</sup>
Federal Home Loan Bank	<u>500,630</u>	03/18/16	AA+ <sup>(1)</sup>
Subtotal of investments reported in classroom facilities fund	<u>4,007,312</u>		
Total Government Sponsored Enterprises	<u>\$ 4,801,241</u>		

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

<sup>(2)</sup> Days (Average)

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, 2015.

## **Wellington Exempted Village School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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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), 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, 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, and FNMA bonds. These investments are 11%, 10%, and 73% 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 2015 amounted to \$13,535, which includes \$6,438 assigned from other School District funds.

### **Note 6 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used for public utility) located in the School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, 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

For the Fiscal Year Ended June 30, 2015

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Public utility property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property 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, 2015, are available to finance fiscal year 2015 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, 2015 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 \$478,817 in the general fund, \$53,052 in the debt service fund and \$8,671 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 2015 taxes were collected are:

	2015	2014
	<u>Assessed Value</u>	<u>Assessed Value</u>
Real Property		
Residential and Agricultural	\$ 144,357,380	\$ 144,215,240
Commercial and Industrial	30,913,820	31,180,350
Tangible Personal Property		
Public Utilities	<u>8,969,320</u>	<u>8,590,770</u>
Total	<u>\$ 184,240,520</u>	<u>\$ 183,986,360</u>

### **Note 7 - 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 \$28,740 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 \$70,991.

**Wellington Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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**Note 8 - Interfund Transactions**

Interfund balances at June 30, 2015 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, 2015, all interfund loans outstanding are anticipated to be repaid in fiscal year 2016. 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, 2015 are reported on the statement of net position.

Interfund transfers for the year ended June 30, 2015, consisted of the following:

Transfers from general fund to:		
Nonmajor governmental funds	\$	191,049
Transfers from nonmajor governmental funds to:		
Nonmajor governmental funds		<u>65,000</u>
	\$	<u>256,049</u>

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, 2015***Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

<u>Governmental Activities</u>	<u>Balance June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2015</u>
Capital assets, not being depreciated:				
Land	\$ 1,465,737	\$ -	\$ -	\$ 1,465,737
Construction in progress	<u>759,373</u>	<u>11,321,731</u>	<u>-</u>	<u>12,081,104</u>
Total capital assets, not being depreciated	<u>2,225,110</u>	<u>11,321,731</u>	<u>-</u>	<u>13,546,841</u>
Capital assets, being depreciated:				
Land improvements	830,625	-	(26,208)	804,417
Buildings	7,411,414	-	(79,217)	7,332,197
Furniture and equipment	1,190,816	18,848	(479,464)	730,200
Vehicles	<u>736,451</u>	<u>-</u>	<u>(2,467)</u>	<u>733,984</u>
Total capital assets, being depreciated	<u>10,169,306</u>	<u>18,848</u>	<u>(587,356)</u>	<u>9,600,798</u>
Less: Accumulated depreciation				
Land improvements	(556,130)	(23,383)	24,912	(554,601)
Buildings	(4,492,176)	(149,941)	38,638	(4,603,479)
Furniture and equipment	(749,917)	(52,573)	360,017	(442,473)
Vehicles	<u>(535,832)</u>	<u>(23,139)</u>	<u>2,467</u>	<u>(556,504)</u>
Total accumulated depreciation	<u>(6,334,055)</u>	<u>(249,036)</u>	<u>426,034</u>	<u>(6,157,057)</u>
Total capital assets being depreciated, net	<u>3,835,251</u>	<u>(230,188)</u>	<u>(161,322)</u>	<u>3,443,741</u>
Governmental activities capital assets, net	<u>\$ 6,060,361</u>	<u>\$ 11,091,543</u>	<u>\$ (161,322)</u>	<u>\$ 16,990,582</u>

During the fiscal year, the School District had net disposals of \$161,322 due to a change in the capital asset threshold from \$2,000 to \$5,000.

**Wellington Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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

Instruction:	
Regular	\$ 134,812
Support services:	
Pupil	1,910
Administration	12,399
Operation and maintenance of plant	71,958
Pupil transportation	22,043
Operation of non-instructional services	3,307
Extracurricular activities	<u>2,607</u>
Total depreciation expense	<u>\$ 249,036</u>

**Note 10 - Risk Management**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2015, the School District contracted with a commercial insurance provider for liability, fleet and property insurance coverage. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

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

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

**Note 11 - Employee Benefits**

**A. Compensated Absences**

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

**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.

## **Wellington Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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### **Note 12 - Defined Benefit Pension Plans**

#### **Net Pension Liability**

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

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

#### **A. School Employee Retirement System**

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

## Wellington Exempted Village School District

### Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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	Eligible to Retire on or before <u>August 1, 2017</u> *	Eligible to Retire on or after <u>August 1, 2017</u>
Full benefits	Age 65 with 5 years of service credit or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$222,028 for fiscal year 2015. Of this amount \$20,121 is reported as an intergovernmental payable.

#### B. State Teachers Retirement System

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS 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, 2015*

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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. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

**Wellington Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

The School District's contractually required contribution to STRS was \$800,313 for fiscal year 2015. Of this amount \$129,713 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$3,034,035	\$13,604,552	\$16,638,587
Proportion of the net pension liability	0.059950%	0.0559318%	
Pension expense	\$179,365	\$543,601	\$722,966

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 25,823	\$ 130,973	\$ 156,796
School District contributions subsequent to the measurement date	<u>222,028</u>	<u>800,313</u>	<u>1,022,341</u>
Total deferred outflows of resources	<u>\$ 247,851</u>	<u>\$ 931,286</u>	<u>\$ 1,179,137</u>
<b>Deferred inflows of resources</b>			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 492,432</u>	<u>\$ 2,516,894</u>	<u>\$ 3,009,326</u>

\$1,022,341 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2016	\$ (116,652)	\$ (596,480)	\$ (713,132)
2017	(116,652)	(596,480)	(713,132)
2018	(116,652)	(596,480)	(713,132)
2019	<u>(116,653)</u>	<u>(596,481)</u>	<u>(713,134)</u>
Total	<u>\$ (466,609)</u>	<u>\$ (2,385,921)</u>	<u>\$ (2,852,530)</u>

## Wellington Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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### Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage inflation	3.25 percent
Future salary increases, including inflation	4 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment rate of return	7.75 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

## Wellington Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

<u>Asset class</u>	<u>Target allocation</u>	<u>Long term expected real rate of return</u>
Cash	1.00 %	0.00 %
US stocks	22.50	5.00
Non-US stocks	22.50	5.50
Fixed income	19.00	1.50
Private equity	10.00	10.00
Real assets	10.00	5.00
Multi-asset strategies	<u>15.00</u>	7.50
Total	<u>100.00 %</u>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease <u>(6.75%)</u>	Current discount rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
School District's proportionate share of the net pension liability	\$ 4,328,667	\$3,034,035	\$1,945,138

### Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment rate of return	7.75 percent, net of investment expenses
Cost-of-living adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

## Wellington Exempted Village School District

### Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long term expected real rate of return</u>
Domestic equity	31.00 %	8.00 %
International equity	26.00	7.85
Alternatives	14.00	8.00
Fixed income	18.00	3.75
Real estate	10.00	6.75
Liquidity reserves	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

## Wellington Exempted Village School District

### Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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	1% Decrease <u>(6.75%)</u>	Current discount rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
School District's proportionate share of the net pension liability	\$ 19,476,399	\$13,604,552	\$8,638,945

#### 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, 2015, several members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

### **Note 13 - Postemployment Benefits**

#### A. School Employee Retirement System

The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2015, the School District's surcharge obligation was \$30,635.

## Wellington Exempted Village School District

### Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$45,624, \$33,699, and \$31,194, respectively. For fiscal year 2015, 27.5 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

#### B. State Teachers Retirement System

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

**Funding Policy** – Ohio Revised Code Chapter 3307 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$58,239, and \$54,594 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

#### **Note 14 - Capitalized Leases - Lessee**

In a prior year, the School District entered in to a capital lease agreement for the acquisition of two buses, 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 \$48,277. The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments at year-end.

Fiscal <u>Year</u>	Lease <u>Payments</u>
2016	\$ 53,924
2017	53,924
2018	<u>48,729</u>
Total minimum lease payments	156,577
Less: amount representing interest	<u>(7,757)</u>
Total	<u>\$ 148,820</u>

**Wellington Exempted Village School District***Notes to the Basic Financial Statements**For the Fiscal Year Ended June 30, 2015***Note 15 - Bonded Debt and Other Long-Term Obligations**

Changes in debt and long-term obligations of the School District during fiscal year 2015 were as follows:

	Restated Balance <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2015</u>	Due Within <u>One Year</u>
<b>Governmental Activities</b>					
Bonds:					
School Improvement - 2013A					
Term bonds 1.5% - 4.0%	\$ 7,135,000	\$ -	\$ (130,000)	\$ 7,005,000	\$ 135,000
Capital appreciation	124,950	-	-	124,950	-
Accretion on bonds	19,073	21,408	-	40,481	-
Premium	168,127	-	(9,438)	158,689	-
School Improvement - 2013B					
Term bonds 3.0% - 4.0%	3,955,000	-	-	3,955,000	-
Capital appreciation	34,848	-	(12,992)	21,856	8,315
Accretion on bonds	18,831	23,918	(12,008)	30,741	16,685
Premium	92,888	-	(3,359)	89,529	-
Energy Conservation					
Improvement 6.0%	<u>850,000</u>	<u>-</u>	<u>(65,000)</u>	<u>785,000</u>	<u>65,000</u>
Total bonds	<u>12,398,717</u>	<u>45,326</u>	<u>(232,797)</u>	<u>12,211,246</u>	<u>225,000</u>
Other long-term obligations:					
Capital lease	197,097	-	(48,277)	148,820	49,775
Compensated absences	<u>826,435</u>	<u>185,574</u>	<u>(203,383)</u>	<u>808,626</u>	<u>202,176</u>
Total other long-term obligations	<u>1,023,532</u>	<u>185,574</u>	<u>(251,660)</u>	<u>957,446</u>	<u>251,951</u>
Net pension liability:					
STRS	16,205,653	-	(2,601,101)	13,604,552	-
SERS	<u>3,565,034</u>	<u>-</u>	<u>(530,999)</u>	<u>3,034,035</u>	<u>-</u>
Total net pension liability	<u>19,770,687</u>	<u>-</u>	<u>(3,132,100)</u>	<u>16,638,587</u>	<u>-</u>
Total long-term liabilities	<u>\$ 33,192,936</u>	<u>\$ 230,900</u>	<u>\$(3,616,557)</u>	<u>\$ 29,807,279</u>	<u>\$ 476,951</u>

## Wellington Exempted Village School District

### Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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 matured at \$25,000, 2016, 2017, 2019 and 2022 CABs mature at 25,000 each; 2018 CAB matures at \$20,000; and 2020 and 2021 CABs mature at \$30,000 each.

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

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

The School District pays pension obligations related to employee compensation from the fund benefitting from their service.

Principal and interest requirements to amortize all bonds outstanding at June 30, 2015 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Compounded Interest</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 208,315	\$ 16,685	\$ 422,387	\$ 647,387
2017	205,321	19,679	416,462	641,462
2018	207,725	17,276	410,537	635,538
2019	212,179	121,024	404,387	737,590
2020	138,471	135,174	398,087	671,732
2021-2025	1,219,795	53,357	1,902,988	3,176,140
2026-2030	1,455,000	-	1,685,088	3,140,088
2031-2035	1,755,000	-	1,457,450	3,212,450
2036-2040	2,260,000	-	1,122,850	3,382,850
2041-2045	2,425,000	-	632,800	3,057,800
2046-2049	1,805,000	-	185,200	1,990,200
Total	<u>\$ 11,891,806</u>	<u>\$ 363,195</u>	<u>\$ 9,038,236</u>	<u>\$ 21,293,237</u>

## **Wellington Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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### **Note 16 - Jointly Governed Organizations**

#### A. North Coast Council (NCC)

(NCC) is a jointly governed organization comprised of thirty-two member school districts and two educational service centers. The jointly governed organization was formed for the purpose of providing support and leadership which enables organizations to achieve their objectives through innovative and cost effective shared technology solutions. NCC is governed by a nine member Board of Directors chosen from the general membership of the NCC. Each participating entity's contribution to NCC is dependent upon student enrollment and/or software packages and services utilized. Financial information for NCC can be obtained by contacting the Treasurer at the Cuyahoga County Educational Service Center, which serves as fiscal agent. As of June 30, 2014, the School District terminated membership services with NCC. During fiscal year 2015, the School District contributed \$35,274 to NCC.

#### 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. In July 2015, TRECA completed a merger with another consortium to form a council of governments called Metropolitan Educational Technology Association (META). During fiscal year 2015, the School District paid \$22,091 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 17 - Public Entity Risk Pool**

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

## **Wellington Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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### **Note 18 – Insurance Purchasing Pool**

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

### **Note 19 - Contingencies**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2015, if applicable, cannot be determined at this time.

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE has not yet finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

### **Note 20 - Set-Asides**

The School District is required by the state law to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. The School District may replace using general fund revenues with proceeds from various sources (offsets), such as bond or 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.

**Wellington Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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

	<u>Capital Improvement Reserve</u>
Set-aside reserve balance as of June 30, 2014	\$ -
Current year set-aside requirement	216,368
Current year offsets	<u>(312,522)</u>
Total	<u>\$ (96,154)</u>
Set-aside balance carried forward to future fiscal years	<u>\$ -</u>

**Note 21 - School District Income Tax**

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

**Note 22 - Accountability**

As of June 30, 2015, 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>	
Vocational education enhancement	\$ 4,000
Title I	585
Title II-A Improving teacher quality	1,711
<u>Nonmajor capital projects fund:</u>	
Building	538,909

**Note 23 – Construction Commitments**

At the close of fiscal year 2015, the School District had contractual commitments of \$527,624 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 \$96,140 for the new auditorium.

**Required Supplementary Information**

**Wellington Exempted Village School District**

*Required Supplementary Information*

*Schedule of the School District's Proportionate Share of the Net Pension Liability*

*Last Two Fiscal Years (1)*

	<u>2014</u>	<u>2013</u>
<b>School Employees Retirement System (SERS) of Ohio</b>		
School District's proportion of the net pension liability	0.059950%	0.059950%
School District's proportionate share of the net pension liability	\$ 3,034,035	\$ 3,565,034
School District's covered employee payroll	\$ 1,758,694	\$ 1,600,484
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	172.52%	222.75%
Plan fiduciary net position as a percentage of total pension liability	71.70%	65.52%
	<u>2014</u>	<u>2013</u>
<b>State Teachers Retirement System (STRS) of Ohio</b>		
School District's proportion of the net pension liability	0.0559318%	0.0559318%
School District's proportionate share of the net pension liability	\$ 13,604,552	\$ 16,205,653
School District's covered employee payroll	\$ 5,836,777	\$ 5,806,231
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	233.08%	279.11%
Plan fiduciary net position as a percentage of total pension liability	74.70%	69.30%

(1) Information prior to 2013 is not available and the amounts presented are as of the School District's measurement date which is the prior fiscal year end.

**Wellington Exempted Village School District**

*Required Supplementary Information  
Schedule of School District Contributions  
Last Three Fiscal Years (1)*

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>School Employees Retirement System (SERS) of Ohio</b>			
Contractually required contribution	\$ 222,028	\$ 243,755	\$ 221,507
Contributions in relation to contractually required contribution	<u>(222,028)</u>	<u>(243,755)</u>	<u>(221,507)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered employee payroll	\$ 1,684,583	\$ 1,758,694	\$ 1,600,484
Contributions as a percentage of covered employee payroll	13.18%	13.86%	13.84%

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>State Teachers Retirement System (STRS) of Ohio</b>			
Contractually required contribution	\$ 800,313	\$ 758,781	\$ 754,810
Contributions in relation to contractually required contribution	<u>(800,313)</u>	<u>(758,781)</u>	<u>(754,810)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered employee payroll	\$ 5,716,521	\$ 5,836,777	\$ 5,806,231
Contributions as a percentage of covered employee payroll	14.00%	13.00%	13.00%

(1) Information prior to 2013 is not available.

## **Wellington Exempted Village School District**

*Notes to Required Supplementary Information*

*For the Fiscal Year Ended June 30, 2015*

### **School Employees Retirement System (SERS) of Ohio**

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

### **State Teachers Retirement System (STRS) of Ohio**

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financials for the methods and assumptions in this calculation.

**WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT**  
 Federal Awards Expenditures Schedule  
 For the Year Ended June 30, 2015

Federal Grantor/Program Title	Pass Through Entity Number	CFDA Number	Program Expenditures
<u><i>U.S. Department of Agriculture</i></u>			
Nutrition Cluster:			
Passed Through the Ohio Department of Education			
Cash Assistance:			
Breakfast Program	045658-05PU-2015	10.553	\$ 55,946
National School Lunch Program	045658-LLP4-2015	10.555	188,665
Direct Program			
Non-Cash Assistance:			
National School Lunch Program (Food Distribution)	n/a	10.555	<u>24,012</u>
Total Nutrition Cluster			<u>268,623</u>
<b>Total U.S. Department of Agriculture</b>			<b>268,623</b>
<u><i>U.S. Department of Education</i></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	29,056
Title I - FY 15	045658-CISI-2015	84.010	<u>177,136</u>
Total Title I			206,192
IDEA B, Special Education - Assistance to States for Education of Handicapped Children			
IDEA B - FY 14	045658-6BSF-2014	84.027	46,240
IDEA B - FY 15	045658-6BSF-2015	84.027	<u>275,901</u>
Total IDEA-B, Special Education			322,141
Title II-A FY 14	045658-TRSI-2014	84.367	9,332
Title II-A FY 15	045658-TRSI-2015	84.367	<u>41,811</u>
Total Title II-A			<u>51,143</u>
<b>Total U.S. Department of Education</b>			<b>579,476</b>
<b>Total Federal Expenditures</b>			<b><u>\$ 848,099</u></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, 2015**

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, 2015, the District had immaterial food commodities in inventory.

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*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  
305 Union 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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 16, 2015. We noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*.

***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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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



***Charles E. Harris & Associates, Inc.***  
December 16, 2015

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***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  
305 Union 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, 2015. The *Summary of Auditor's 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.

***Basis of Qualified Opinion on Nutrition Cluster***

As described in finding 2015-001 in the accompanying schedule of findings, the District did not comply with requirements regarding allowable costs/cost principles applicable to its Nutrition Cluster. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

### ***Qualified Opinion on Nutrition Cluster***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Nutrition Cluster*, 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 Nutrition Cluster Program for the year ended June 30, 2015.

The District's response to our noncompliance finding is described in the accompanying Schedule of Findings. We did not audit the District's response and accordingly, we express no opinion on it.

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

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

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

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

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



**Charles E. Harris & Associates, Inc.**  
December 16, 2015

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

**WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
LORAIN COUNTY  
June 30, 2015**

**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>	Qualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	Yes
(d)(1)(vii)	<i>Major Programs:</i>	Nutrition Cluster: National School Breakfast National School Lunch Program CFDA #10.553 and 10.555
(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.

WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
LORAIN COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A – 133 SECTION .505  
JUNE 30, 2015  
(Continued)

<b>3. FINDINGS FOR FEDERAL AWARDS</b>	
Finding Number	2015-001
CFDA Title and Number	Nutrition Cluster, CFDA # 10.555, 10.556
Federal Award Number / Year	2014/2015
Federal Agency	U.S. Department of Agriculture
Pass-Through Agency	Ohio Department of Education

**Material Noncompliance – Allowable Costs and Cost Principles**

2 C.F.R. Part 225, Appendix B, Section 8(h)(3) states where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

2 C.F.R. Part 225, Appendix B, Section 8(h)(4) states where employees work on multiple activities or cost objectives, a distribution of their salaries and wages will be supported by personnel activity reports or equivalent documentation. Such documentary support will be required where employees work on:

- a. More than one federal award;
- b. A federal award and a non-Federal Award;
- c. An indirect cost activity and a direct activity;
- d. Two or more indirect activities which are allocated using different allocation bases; or
- e. An unallowable activity and a direct or indirect cost activity.

2 C.F.R. Part 225, Appendix B, paragraph 8(h)(5) states that personnel activity reports or equivalent documentation must meet the following standards:

- a. They must reflect an after-the-fact distribution of the actual activity of each employee;
- b. They must account for the total activity for which each employee is compensated;
- c. They must be prepared at least monthly and must coincide with one or more pay periods; and,
- d. They must be signed by the employee.

These requirements are applicable to both federal and state grants administered from Ohio Department of Education resources.

The School District did not provide time and effort certifications for the Business Manager / Food Service Director. Alternate procedures were performed to verify the proper costs charged.

The School District should implement procedures to ensure that either single-funded certifications or time and effort documentation is maintained to support employees' salaries and fringe benefits paid from federal grant funds.

**Management Response:**

Based on discussion with Michael Pissini, Treasurer on December 3, 2015, the District has implemented the time and effort certification requirement for FY2016.

**WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
LORAIN COUNTY  
JUNE 30, 2015**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

The prior audit report, for the year ended June 30, 2014, reported no material citations or recommendations.

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# Dave Yost • Auditor of State

**WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT**

**LORAIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 25, 2016**