
ALGER & ASSOCIATES, Inc.



PROFESSIONAL FINANCIAL AND COMPLIANCE AUDIT SERVICES

VILLAGE OF WELLINGTON

LORAIN COUNTY

REGULAR AUDIT

A large, light green, stylized 'A&A' logo is centered on the page. The letters are outlined and have a decorative, calligraphic style.

For the Years Ended

December 31, 2018 -2017

OHIO AUDITOR OF STATE KEITH FABER



Members of Council
Village of Wellington
115 Willard Memorial Square
Wellington, OH 44090

We have reviewed the *Independent Auditor's Report* of the Village of Wellington, Lorain County, prepared by Alger & Associates, Inc., for the audit period January 1, 2017 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

May 1, 2019

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VILLAGE OF WELLINGTON
LORAIN COUNTY

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ALGER & ASSOCIATES, Inc.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Wellington, Lorain County, Ohio (the Village), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2C describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Wellington, Lorain County, Ohio, as of December 31, 2018 and 2017, and the respective changes in cash financial position and the respective budgetary comparison for the General and the Street Construction and Maintenance Fund (SCMR) thereof for the years then ended in accordance with the accounting basis described in Note 2C.

Accounting Basis

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

Other Matters

Other Information

We applied no procedures to management's discussion & analysis, as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 08, 2019, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

**Alger and
Associates Inc**

Digitally signed by Alger and
Associates Inc
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email=ksalger46@att.net, c=US
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Alger & Associates, Inc.
Certified Public Accountants
North Canton, Ohio
April 08, 2019

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

UNAUDITED

This discussion and analysis of the Village of Wellington, Ohio's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2018, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Financial Highlights

Key highlights for 2018 are as follows

The net position of governmental activities decreased \$ 128,365 or 3.8 percent from 2017. This was the result of an increase of \$ 442,039 in the General Fund and decreases of \$ 17,589 in the Street Construction and Maintenance Fund (SCMR), \$ 517,722 in the Capital Improvements Fund and \$ 35,093 in the Other Governmental Funds.

The Village's general receipts are primarily municipal income taxes and property and other local taxes. These receipts represent respectively 45.9 percent and 16.4 percent of the total cash received for governmental activities during the year.

The net position of business-type activities increased \$ 156,968 from 2017. Net position in the Sewer Fund, Electric Fund and Other Enterprise Funds increased by \$ 92,610, \$ 33,200 and \$ 36,677, respectively. Net position in the Water Fund decreased by \$ 5,519.

Using the Basic Financial Statements

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

Report Components

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

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

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

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Basis of Accounting

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

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

Government-wide Financial Statements

The Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis reflect how the Village did financially during 2018, within the limitations of cash basis accounting. The Statement of Net Position – Cash Basis presents the equity in pooled cash of the governmental and business-type activities of the Village at year-end. The Statement of Activities – Cash Basis compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

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

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

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

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

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

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Fund Financial Statements

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

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

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

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

The Village as a Whole

Table 1 provides a summary of the Village's net position for 2018 compared to 2017 on a cash basis:

**Table 1
Net Position**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Equity in pooled cash	\$ 3,283,774	\$ 3,412,138	\$ 4,186,328	\$ 4,029,360	\$ 7,470,102	\$ 7,441,498
Total assets	<u>\$ 3,283,774</u>	<u>\$ 3,412,138</u>	<u>\$ 4,186,328</u>	<u>\$ 4,029,360</u>	<u>\$ 7,470,102</u>	<u>\$ 7,441,498</u>
Net position						
Restricted for:						
Capital projects	\$ 984,045	\$ 1,501,767	\$ -	\$ -	\$ 984,045	\$ 1,501,767
Debt service	174,520	198,205	-	-	174,520	198,205
Other	938,853	967,850	-	-	938,853	967,850
Unrestricted	1,186,356	744,316	4,186,328	4,029,360	5,372,684	4,773,676
Total net position	<u>\$ 3,283,774</u>	<u>\$ 3,412,138</u>	<u>\$ 4,186,328</u>	<u>\$ 4,029,360</u>	<u>\$ 7,470,102</u>	<u>\$ 7,441,498</u>

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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As mentioned previously, the net position of governmental activities decreased \$ 128,365 or 3.8 percent during 2018.

Table 2 reflects the changes in net position in 2018 compared to 2017 on a cash basis.

Table 2
Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Receipts						
Program receipts						
Charges for services	\$ 187,288	\$ 178,596	\$ 11,686,142	\$ 10,603,436	\$ 11,873,430	\$ 10,782,032
Operating grants and contributions	31,605	52,683	-	-	31,605	52,683
Capital grants and contributions	143,003	198,406	29,283	133,032	172,286	331,438
Total program receipts	<u>361,896</u>	<u>429,685</u>	<u>11,715,425</u>	<u>10,736,468</u>	<u>12,077,321</u>	<u>11,166,153</u>
General receipts						
Property and other local taxes	643,215	631,039	-	-	643,215	631,039
Municipal income taxes	1,803,754	1,802,775	-	-	1,803,754	1,802,775
Grants and entitlements	319,423	331,038	-	-	319,423	331,038
Loan proceeds	27,198	258,738	26,821	295,339	54,019	554,077
Proceeds from sale of capital assets	14,205	-	-	-	14,205	-
Interest	72,462	45,200	124	56	72,586	45,256
Other	658,996	610,177	-	-	658,996	610,177
Transfers	-	-	-	-	-	-
Advances	25,000	(100,000)	(25,000)	100,000	-	-
General receipts and advances	<u>3,564,253</u>	<u>3,578,967</u>	<u>1,945</u>	<u>395,395</u>	<u>3,566,198</u>	<u>3,974,362</u>
Total receipts	<u>\$ 3,926,149</u>	<u>\$ 4,008,652</u>	<u>\$ 11,717,370</u>	<u>\$ 11,131,863</u>	<u>\$ 15,643,519</u>	<u>\$ 15,140,515</u>

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

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Table 2
Change in Net Position
(Concluded)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program cash disbursements						
General government	\$ 761,018	\$ 730,427	\$ -	\$ -	\$ 761,018	\$ 730,427
Security of persons and property	1,265,712	1,162,741	-	-	1,265,712	1,162,741
Public health services	31,591	29,473	-	-	31,591	29,473
Leisure time activities	116,421	74,737	-	-	116,421	74,737
Community environment	148,846	139,287	-	-	148,846	139,287
Transportation	781,575	771,522	-	-	781,575	771,522
Capital outlay	884,517	756,280	-	-	884,517	756,280
Principal	55,620	51,530	-	-	55,620	51,530
Interest and fiscal charges	9,214	3,046	-	-	9,214	3,046
Water	-	-	982,269	980,372	982,269	980,372
Sewer	-	-	1,113,251	1,182,878	1,113,251	1,182,878
Electric	-	-	9,084,832	8,408,266	9,084,832	8,408,266
Refuse	-	-	325,579	324,989	325,579	324,989
Other	-	-	54,471	95,547	54,471	95,547
Total program cash disbursements	<u>4,054,514</u>	<u>3,719,043</u>	<u>11,560,402</u>	<u>10,992,052</u>	<u>15,614,916</u>	<u>14,711,095</u>
Increase (decrease) in net position	(128,365)	289,609	156,968	139,811	28,603	429,420
Net position, at beginning of year	<u>3,412,139</u>	<u>3,122,529</u>	<u>4,029,360</u>	<u>3,889,549</u>	<u>7,441,499</u>	<u>7,012,078</u>
Net position, at end of year	<u>\$ 3,283,774</u>	<u>\$ 3,412,138</u>	<u>\$ 4,186,328</u>	<u>\$ 4,029,360</u>	<u>\$ 7,470,102</u>	<u>\$ 7,441,498</u>

Governmental Activities

Program receipts represent 9.2 percent of total receipts and are comprised of charges for services, operating and capital grants and contributions.

General receipts represent 90.8 percent of the Village's total receipts of governmental activities, and of this amount, 68.7 percent are municipal income taxes and property and other local taxes. Other receipts are very insignificant and somewhat unpredictable revenue sources.

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

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

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

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If you look at the Statement of Activities – Cash Basis on page 14, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property, transportation, general government and capital outlay which account for 31.2 percent, 19.3 percent, 18.8 percent, and 21.8 percent of all governmental disbursements, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net (Disbursement) Receipt column compares the program receipts to the cost of the service. This “net cost” amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
Governmental activities		
General government	\$ 761,018	\$ 581,683
Security of persons and property	1,265,712	1,246,306
Public health services	31,591	30,519
Leisure time activities	116,421	106,861
Community environment	148,846	140,559
Transportation	781,575	716,225
Capital outlay	884,517	805,631
Principal	55,620	55,620
Interest and fiscal charges	9,214	9,214
Total governmental activities	\$ 4,054,514	\$ 3,692,618

The dependence upon property and income tax receipts is apparent as 60.4 percent of governmental activities are supported through these general receipts.

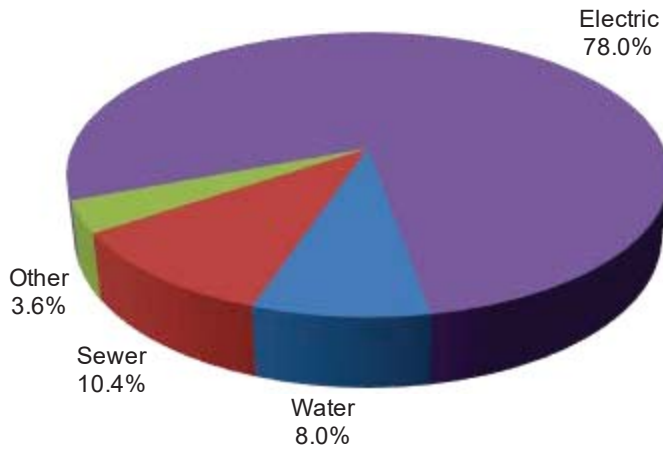
VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

UNAUDITED

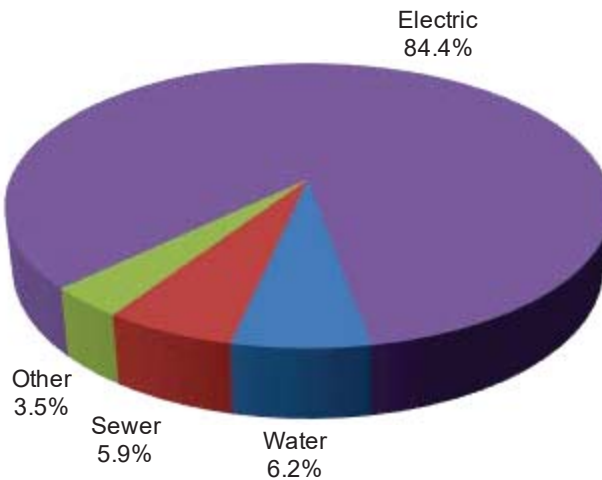
Business-type Activities

Charges for services is the primary source of receipts for the business-type activities. Program cash receipts were \$ 978,957 higher in 2018.

Receipts, Business-type Activities



Operating Disbursements, Business-type Activities



VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

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The Village's Funds

Total governmental funds had receipts of \$ 3,859,746 and disbursements of \$ 4,054,514. Net other financing sources (uses) totaled \$ 66,403. The fund balances of the General Fund, SCMR Fund, Capital Improvements Fund and Other Governmental Funds changed by \$ 442,039, (\$ 17,589), (\$ 517,722) and (\$ 35,093), respectively.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances

During 2018, the Village amended its General Fund budget to reflect changing circumstances. Final budgeted receipts were the same as original budgeted receipts. Actual receipts were more than the final budgeted amount by \$ 166,108. Final disbursements were budgeted at \$ 3,094,964 which was \$ 2,487 higher than original appropriations. Actual disbursements were \$ 203,214 less than the final budgeted amount.

During 2018, there were not any amendments to the Village's SCMR Fund budget. Final and original budgeted receipts were \$ 172,900. Actual receipts were higher than the final budgeted amount by \$ 16,723. Final and original appropriations were \$ 272,118. Actual disbursements were \$ 19,306 less than the final budgeted amount.

Capital Assets

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

Debt

Outstanding debt obligations of the Village consisted of:

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Bonds						
Special assessment	\$ 8,369	\$ 14,334	\$ -	\$ -	\$ 8,369	\$ 14,334
OPWC loans	309,071	342,227	216,570	235,775	525,641	578,002
OWDA loans *	274,437	258,738	4,582,869	5,005,421	4,857,306	5,264,159
Note payable	12,500	17,500	-	-	12,500	17,500
	<u>\$ 604,377</u>	<u>\$ 632,799</u>	<u>\$ 4,799,439</u>	<u>\$ 5,241,196</u>	<u>\$ 5,403,816</u>	<u>\$ 5,873,995</u>

* A portion of an OWDA loan has been reclassified in 2018 from Governmental Activities to Business-type Activities.

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

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

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Current Issues

Municipal Income Tax

On November 6, 2018, the Village of Wellington voters approved Issue 34 to increase the village's municipal income rate by seventy-five hundredths of one percent for a total income tax rate of 1.75% for operating and capital improvement expenses of the Village. In addition, Village Council authorized a partial credit (reciprocity) for municipal income taxes paid by residents to other municipalities up to the full rate of 1.75%.

Property Acquisition – 147/149 East Herrick

In June of 2018, the Village and E-Ban Properties entered into a purchase option agreement for the property located at 147/149 East Herrick Avenue for the purpose of relocating the village's Police Department. The agreement provided the village the exclusive right to purchase the property for \$465,000 with an option term through November 30, 2018. The Village exercised the property option on November 26, 2018 and closed on the property acquisition on December 21, 2018. The property acquisition was funded by encumbered cash reserves in the Capital Improvement Fund.

Compensation Survey

In March of 2018, the Village engaged Clemans-Nelson, a professional management consulting firm, for the purpose of performing a compensation plan analysis and wage survey. Scope of services included an evaluation of the village's compensation system, a point factor analysis to rate village positions based on position characteristics, a wage survey and development of a new compensation plan and implementation procedures. The plan was 95% complete as of December, 2018 and will be presented to Village Council in early 2019.

Quiet Zone Project

In August of 2018, the Village entered into a consulting services agreement with CTC Consulting to develop an action plan and prepare preliminary design drawings for safety measures identified by CSX for the Quiet Zone Project. CTC, CSX and Village staff held a second diagnostic meeting to address CSX comments and recommendations on safety measures at all three rail crossings (Maygar, Barker, West Herrick). In October of 2018, the Village entered into a preliminary engineering agreement with CSX to authorize and fully fund engineering work for CSX required improvements. As of this report, CSX continues to work on final engineering plans.

U.S. Screen Company

In May of 2018, the Village transferred 2.12 acres of industrial park land on Industrial Avenue to the Wellington Community Improvement Corporation (CIC) to permit the sale of property to the U.S. Screen Company, a small family-owned manufacturing company located in Sullivan that manufactures heavy-duty stainless screening. U.S. Screen proposed to construct a 9,000 square foot facility including 7,500 sq. ft. of manufacturing and 1,500 sq. ft. of office space. Final site plans were approved by the Planning Commission and the CIC completed the sale transaction to U.S. Screen for a sale price of \$15,000. Site work and facility construction commenced in August of 2018 and was approximately 75% complete as of December, 2018. The U.S. Screen Company also applied for and received a Community Reinvestment Area Tax Abatement with approval of the Village and Wellington Schools. The CRA included 100% tax abatement on the real property investment estimated at \$686,000 for a period of 10 years with a negotiated payment to the schools of 50% of the actual property valuation set by the Lorain County Auditor.

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

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Grade Separation Project

In November of 2018, the Ohio Department of Transportation completed their final construction cost allocation for the Grade Separation Project and submitted an invoice to the Village for its final project cost share in the amount of \$14,341. The total construction cost for Grade Separation Project was \$20,396,344 and the Village's total cost share of the project was \$810,547.

Adams Street Improvement Project

In December of 2018, Poggemeyer Design Group and Fechko Excavating completed their final review and reconciliation of project costs for the Adams Street Project. The final construction cost was \$890,728.66 for a net increase of \$39,006.36 or 4.58% over the original bid amount of \$851,722.30. The final project cost was well under the second lowest bid of \$1,017,282 or a 14% savings.

Ground Storage Tank and Raw Water Pump Improvement Project

In July of 2017, the Village executed a \$350,000 financial assistance agreement with the Ohio Public Works Commission for the proposed Ground Storage Tank and Raw Water Pump Improvement Project. The financial assistance includes a 50% grant and 50% loan at 0%. The proposed project includes the replacement of a 1952 ground level storage tank located on Erie Street and four (4) drive units on raw water pumps located at the raw water pumping station on Pitts Road. Total project cost is estimated at \$1.3 million with remaining financial assistance expected from the Ohio EPA HAB program. In June, the Village entered into a professional services agreement with Poggemeyer Design Group in the amount of \$142,975 for engineering, bidding and construction management services for the project. The proposed construction date was delayed from mid-2018 to spring of 2019.

Contacting the Village's Financial Management

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

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
STATEMENT OF NET POSITION – CASH BASIS
DECEMBER 31, 2018

	Governmental Activities	Business-type Activities	Total
Assets			
Equity in pooled cash	\$ 3,283,774	\$ 4,186,328	\$ 7,470,102
Total assets	\$ 3,283,774	\$ 4,186,328	\$ 7,470,102
Net position			
Restricted for:			
Capital projects	\$ 984,045	\$ -	\$ 984,045
Debt service	174,520	-	174,520
Highways and streets	567,897	-	567,897
Security of persons and property	359,362	-	359,362
Other	11,594	-	11,594
Unrestricted	1,186,356	4,186,328	5,372,684
Total net position	\$ 3,283,774	\$ 4,186,328	\$ 7,470,102

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY

STATEMENT OF ACTIVITIES – CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Cash Disbursements	Program Cash Receipts		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Current				
General government	\$ 761,018	\$ 166,677	\$ 12,658	\$ -
Security of persons and property	1,265,712	12,756	6,650	-
Public health services	31,591	1,072	-	-
Leisure time activities	116,421	5,550	4,010	-
Community environment	148,846	-	8,287	-
Transportation	781,575	-	-	65,350
Capital outlay	884,517	1,233	-	77,653
Debt service				
Principal	55,620	-	-	-
Interest and fiscal charges	9,214	-	-	-
Total governmental activities	<u>4,054,514</u>	<u>187,288</u>	<u>31,605</u>	<u>143,003</u>
Business-type activities				
Water	982,269	934,030	-	15,899
Sewer	1,113,251	1,217,477	-	13,384
Electric	9,084,832	9,118,032	-	-
Refuse	325,579	350,913	-	-
Other	54,471	65,690	-	-
Total business-type activities	<u>11,560,402</u>	<u>11,686,142</u>	<u>-</u>	<u>29,283</u>
Total	<u>\$ 15,614,916</u>	<u>\$ 11,873,430</u>	<u>\$ 31,605</u>	<u>\$ 172,286</u>

General receipts
Property taxes levied for:
 General purposes
 Municipal income taxes
Grants and entitlements not restricted to specific programs
Loan proceeds
Proceeds from sale of capital assets
Interest
Other
Advances
Total general receipts, transfers and advances

Change in net position

Net position at beginning of year

Net position at end of year

See accompanying notes to the basic financial statements.

Net (Disbursements) Receipts and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (581,683)	\$ -	\$ (581,683)
(1,246,306)	-	(1,246,306)
(30,519)	-	(30,519)
(106,861)	-	(106,861)
(140,559)	-	(140,559)
(716,225)	-	(716,225)
(805,631)	-	(805,631)
(55,620)	-	(55,620)
(9,214)	-	(9,214)
<u>(3,692,618)</u>	<u>-</u>	<u>(3,692,618)</u>
-	(32,340)	(32,340)
-	117,610	117,610
-	33,200	33,200
-	25,334	25,334
-	11,219	11,219
-	<u>155,023</u>	<u>155,023</u>
<u>(3,692,618)</u>	<u>155,023</u>	<u>(3,537,595)</u>
643,215	-	643,215
1,803,754	-	1,803,754
319,423	-	319,423
27,198	26,821	54,019
14,205	-	14,205
72,462	124	72,586
658,996	-	658,996
25,000	(25,000)	-
<u>3,564,253</u>	<u>1,945</u>	<u>3,566,198</u>
(128,365)	156,968	28,603
<u>3,412,139</u>	<u>4,029,360</u>	<u>7,441,499</u>
<u>\$ 3,283,774</u>	<u>\$ 4,186,328</u>	<u>\$ 7,470,102</u>

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES -
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	<u>General Fund</u>	<u>SCMR Fund</u>	<u>Capital Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in pooled cash	\$ 1,186,356	\$ 524,533	\$ 984,045	\$ 588,840	\$ 3,283,774
Total assets	<u>\$ 1,186,356</u>	<u>\$ 524,533</u>	<u>\$ 984,045</u>	<u>\$ 588,840</u>	<u>\$ 3,283,774</u>
Fund balances					
Restricted	\$ -	\$ 524,533	\$ 984,045	\$ 588,840	\$ 2,097,418
Assigned	78,751	-	-	-	78,751
Unassigned	1,107,605	-	-	-	1,107,605
Total fund balances	<u>\$ 1,186,356</u>	<u>\$ 524,533</u>	<u>\$ 984,045</u>	<u>\$ 588,840</u>	<u>\$ 3,283,774</u>

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY

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

FOR THE YEAR ENDED DECEMBER 31, 2018

	General Fund	SCMR Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and other taxes	\$ 594,985	\$ -	\$ -	\$ 48,230	\$ 643,215
Municipal income tax	1,703,754	-	100,000	-	1,803,754
Special assessments	-	1,078	39,586	25,531	66,195
Charges for services	602,804	-	1,233	-	604,037
Fines, licenses and permits	59,771	-	-	-	59,771
Intergovernmental	195,399	180,340	23,150	95,142	494,031
Interest	63,617	8,205	-	640	72,462
Contributions and donations	6,610	-	-	12,658	19,268
Miscellaneous	41,772	-	54,169	1,072	97,013
Total receipts	3,268,712	189,623	218,138	183,273	3,859,746
Disbursements					
Current					
General government	760,058	-	-	960	761,018
Security of persons and property	1,244,351	-	-	21,361	1,265,712
Public health services	4,519	-	-	27,072	31,591
Leisure time activities	81,746	-	-	34,675	116,421
Community environment	148,828	-	-	18	148,846
Transportation	621,376	75,135	-	85,064	781,575
Capital outlay	-	148,657	735,860	-	884,517
Debt service					
Principal	5,000	4,863	-	45,757	55,620
Interest and fiscal charges	-	5,755	-	3,459	9,214
Total disbursements	2,865,878	234,410	735,860	218,366	4,054,514
Excess of receipts over (under) disbursements	402,834	(44,787)	(517,722)	(35,093)	(194,768)
Other financing sources (uses)					
Loan proceeds	-	27,198	-	-	27,198
Proceeds from sale of capital assets	14,205	-	-	-	14,205
Advances in	25,000	-	-	-	25,000
Total other financing sources	39,205	27,198	-	-	66,403
Net change in fund balances	442,039	(17,589)	(517,722)	(35,093)	(128,365)
Fund balances at beginning of year	744,317	542,122	1,501,767	623,933	3,412,139
Fund balances at end of year	<u>\$ 1,186,356</u>	<u>\$ 524,533</u>	<u>\$ 984,045</u>	<u>\$ 588,840</u>	<u>\$ 3,283,774</u>

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY

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

FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and other taxes	\$ 611,854	\$ 611,854	\$ 594,985	\$ (16,869)
Municipal income tax	1,650,000	1,650,000	1,703,754	53,754
Charges for services	589,500	589,500	597,254	7,754
Fines, licenses and permits	54,000	54,000	59,771	5,771
Intergovernmental	111,800	111,800	195,399	83,599
Interest	30,000	30,000	63,617	33,617
Contributions and donations	7,000	7,000	6,610	(390)
Miscellaneous	42,900	42,900	41,772	(1,128)
Total receipts	<u>3,097,054</u>	<u>3,097,054</u>	<u>3,263,162</u>	<u>166,108</u>
Disbursements				
Current				
General government	832,797	832,797	778,379	54,418
Security of persons and property	1,286,675	1,286,675	1,245,520	41,155
Public health services	5,604	5,604	4,580	1,024
Leisure time activities	84,800	84,800	81,746	3,054
Community environment	165,777	165,777	151,393	14,384
Transportation	716,824	719,311	625,132	94,179
Total disbursements	<u>3,092,477</u>	<u>3,094,964</u>	<u>2,891,750</u>	<u>203,214</u>
Excess of receipts over (under) disbursements	<u>4,577</u>	<u>2,090</u>	<u>371,412</u>	<u>369,322</u>
Other financing sources				
Proceeds from sale of capital assets	-	-	14,205	14,205
Advances in	25,000	25,000	25,000	
Total other financing sources	<u>25,000</u>	<u>25,000</u>	<u>39,205</u>	<u>14,205</u>
Net change in fund balances	29,577	27,090	410,617	383,527
Prior year encumbrances appropriated	21,028	21,028	21,028	-
Fund balances at beginning of year	<u>675,960</u>	<u>675,960</u>	<u>675,960</u>	<u>-</u>
Fund balances at end of year	<u>\$ 726,565</u>	<u>\$ 724,078</u>	<u>\$ 1,107,605</u>	<u>\$ 383,527</u>

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY

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

FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Special assessments	\$ 1,000	\$ 1,000	\$ 1,078	\$ 78
Intergovernmental	168,400	168,400	180,340	11,940
Interest	3,500	3,500	8,205	4,705
Total receipts	<u>172,900</u>	<u>172,900</u>	<u>189,623</u>	<u>16,723</u>
Disbursements				
Current				
Transportation	83,500	83,500	75,626	7,874
Capital outlay	166,618	166,618	166,568	50
Debt service				
Principal	18,000	18,000	4,863	13,137
Interest and fiscal charges	4,000	4,000	5,755	(1,755)
Total disbursements	<u>272,118</u>	<u>272,118</u>	<u>252,812</u>	<u>19,306</u>
Excess of receipts over (under) disbursements	<u>(99,218)</u>	<u>(99,218)</u>	<u>(63,189)</u>	<u>36,029</u>
Net change in fund balances	(99,218)	(99,218)	(63,189)	36,029
Prior year encumbrances appropriated	91,618	91,618	91,618	-
Fund balances at beginning of year	<u>450,504</u>	<u>450,504</u>	<u>450,504</u>	<u>-</u>
Fund balances at end of year	<u>\$ 442,904</u>	<u>\$ 442,904</u>	<u>\$ 478,933</u>	<u>\$ 36,029</u>

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
STATEMENT OF FUND NET POSITION – CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2018

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Electric Fund</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Assets					
Equity in pooled cash	<u>\$ 303,194</u>	<u>\$ 370,129</u>	<u>\$ 3,196,965</u>	<u>\$ 316,040</u>	<u>\$ 4,186,328</u>
Total assets	<u><u>\$ 303,194</u></u>	<u><u>\$ 370,129</u></u>	<u><u>\$ 3,196,965</u></u>	<u><u>\$ 316,040</u></u>	<u><u>\$ 4,186,328</u></u>
Net position					
Unrestricted	<u>\$ 303,194</u>	<u>\$ 370,129</u>	<u>\$ 3,196,965</u>	<u>\$ 316,040</u>	<u>\$ 4,186,328</u>
Total net position	<u><u>\$ 303,194</u></u>	<u><u>\$ 370,129</u></u>	<u><u>\$ 3,196,965</u></u>	<u><u>\$ 316,040</u></u>	<u><u>\$ 4,186,328</u></u>

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND NET POSITION – CASH BASIS – PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Water Fund	Sewer Fund	Electric Fund	Other Enterprise Funds	Total Enterprise Funds
Receipts					
Charges for services	\$ 925,305	\$ 1,201,352	\$ 9,026,666	\$ 416,603	\$ 11,569,926
Interest	-	-	-	124	124
Miscellaneous	8,725	16,125	91,366	-	116,216
Total receipts	<u>934,030</u>	<u>1,217,477</u>	<u>9,118,032</u>	<u>416,727</u>	<u>11,686,266</u>
Operating disbursements					
Personal services	397,635	416,881	711,026	-	1,525,542
Travel transportation	1,815	595	5,687	-	8,097
Contractual services	46,853	46,303	7,504,021	342,349	7,939,526
Materials and supplies	204,845	154,457	647,524	27,157	1,033,983
Total operating disbursements	<u>651,148</u>	<u>618,236</u>	<u>8,868,258</u>	<u>369,506</u>	<u>10,507,148</u>
Operating income	<u>282,882</u>	<u>599,241</u>	<u>249,774</u>	<u>47,221</u>	<u>1,179,118</u>
Non-operating receipts (disbursements)					
Loan proceeds	26,821	-	-	-	26,821
Special assessments	799	4,384	-	-	5,183
Capital outlay	(126,017)	(57,953)	(216,574)	(10,544)	(411,088)
Principal paid	(131,304)	(337,274)	-	-	(468,578)
Interest and fiscal charges	(73,800)	(99,788)	-	-	(173,588)
Total non-operating receipts (disbursements)	<u>(303,501)</u>	<u>(490,631)</u>	<u>(216,574)</u>	<u>(10,544)</u>	<u>(1,021,250)</u>
Income (loss) before contributions and advances	<u>(20,619)</u>	<u>108,610</u>	<u>33,200</u>	<u>36,677</u>	<u>157,868</u>
Capital contributions - tap fees	15,100	9,000	-	-	24,100
Advances out	-	(25,000)	-	-	(25,000)
Change in net position	(5,519)	92,610	33,200	36,677	156,968
Net position at beginning of year	<u>308,713</u>	<u>277,519</u>	<u>3,163,765</u>	<u>279,363</u>	<u>4,029,360</u>
Net position at end of year	<u>\$ 303,194</u>	<u>\$ 370,129</u>	<u>\$ 3,196,965</u>	<u>\$ 316,040</u>	<u>\$ 4,186,328</u>

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
STATEMENT OF NET POSITION – CASH BASIS
FIDUCIARY FUNDS
DECEMBER 31, 2018

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

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1 – REPORTING ENTITY

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

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

A. PRIMARY GOVERNMENT

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

B. COMPONENT UNITS

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

C. JOINTLY GOVERNED ORGANIZATIONS

The Village is associated with the South Lorain County Ambulance District, Wellington Community Fire District, Wellington Union Cemetery and Wellington Community Improvement Corporation. These organizations and their relationships with the Village are described in more detail in Note 12 of these financial statements.

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

D. JOINT VENTURE WITH EQUITY INTEREST

Ohio Municipal Electric Generation Agency Joint Venture 5 (Omega JV-5) – The Village is a participant with forty-two subdivisions within the State of Ohio in a joint venture to construct a hydroelectric plant and associated transmission facilities in West Virginia on the Ohio River at the Belleville Locks and Dam and receive electricity from its operation. The Omega JV-5 was created for that purpose. The Omega JV-5 is managed by AMP-Ohio, which acts as the joint venture agent. See Note 13 and Note 14 of these financial statements.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. BASIS OF PRESENTATION

The Village's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

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

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

Fund Financial Statements

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

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

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. FUND ACCOUNTING

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

Governmental Funds

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

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

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

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

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

Proprietary Funds

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

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

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

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

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

Fiduciary Funds

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

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF ACCOUNTING

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

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

D. BUDGETARY PROCESS

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

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

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

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

E. CASH AND INVESTMENTS

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

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Interest recorded to the General Fund during the year amounted to \$ 63,617, which included \$ 54,225 assigned from other Village funds.

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

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. CASH AND INVESTMENTS (continued)

During 2018, the Village invested in STAR Ohio and local government securities. The investment in local government securities is reported at cost.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Village measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transaction to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

F. RESTRICTED ASSETS

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

G. INVENTORY AND PREPAID ITEMS

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

H. CAPITAL ASSETS

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

I. INTERFUND RECEIVABLES/PAYABLES

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

J. ACCUMULATED LEAVE

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

K. EMPLOYER CONTRIBUTIONS TO COST-SHARING PENSION PLANS

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 15 and 16, the employer contributions include portions for pension benefits and for postretirement health care benefits.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. LONG-TERM OBLIGATIONS

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

M. NET POSITION

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

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position is available. As of December 31, 2018, restricted net position amounted to \$ 2,097,418, none of which was restricted by enabling legislation

N. FUND BALANCE

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

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Village Council.

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

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. FUND BALANCE (continued)

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

O. INTERFUND TRANSACTIONS

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

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

During 2018 the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 75, – “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”, GASB Statement No. 85, “Omnibus 2017”, and GASB Statement No. 86, “Certain Debt Extinguishment Issues”,

GASB Statement No. 75 – “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”, the objective of this statement is to improve accounting and financial reporting for postemployment benefits other than pensions. The requirements of this statement will improve the decision-usefulness of information and will enhance its value for assessing accountability and interperiod equity by requiring recognition of its proportionate share of the OPEB liability and a more comprehensive measure of OPEB expense. Decision-usefulness and accountability will be enhanced through new note disclosures and required supplementary information. These changes were incorporated in the Village’s 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 85 – “Omnibus 2017”, the objective is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application and postemployment benefits (pensions and other postemployment benefits.) These changes were incorporated in the Village’s 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 86 – “Certain Debt Extinguishment Issues”, the objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources (resources other than proceeds of refunding debt) are placed in an irrevocable trust for the sole purpose of extinguishing debt. The Statement also improved accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. These changes were incorporated in the Village’s 2018 financial statements; however, there was no effect on beginning net position/fund balance.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

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

Net Change in Fund Balance		
	General Fund	SCMR Fund
Budget basis	\$ 410,617	\$ (63,189)
Adjustments .		
Encumbrances	25,872	45,600
Funds budgeted elsewhere **	5,550	-
Cash basis, as reported	\$ 442,039	\$ (17,589)

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

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 5 – FUND BALANCES

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

	<u>General Fund</u>	<u>SCMR Fund</u>	<u>Capital Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balances					
Restricted for:					
Capital projects	\$ -	\$ -	\$ 984,045	\$ -	\$ 984,045
Debt service	-	-	-	174,520	174,520
Highways and streets	-	524,533	-	251,614	776,147
Security of persons and property	-	-	-	151,112	151,112
Other	-	-	-	11,594	11,594
	<u>-</u>	<u>524,533</u>	<u>984,045</u>	<u>588,840</u>	<u>2,097,418</u>
Assigned					
Recreation	45,814	-	-	-	45,814
Encumbrances	25,872	-	-	-	25,872
Railroad grade crossing improvement	7,065	-	-	-	7,065
	<u>78,751</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,751</u>
Unassigned	1,107,605	-	-	-	1,107,605
Total fund balances	<u>\$ 1,186,356</u>	<u>\$ 524,533</u>	<u>\$ 984,045</u>	<u>\$ 588,840</u>	<u>\$ 3,283,774</u>

NOTE 6 - DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

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

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

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

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

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

B. DEPOSITS

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$ 4,775,715 of the Village's bank balance of \$ 7,232,478 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Village to a successful claim by the Federal Deposit Insurance Corporation. The Village's financial institution was approved for a reduced collateral rate of 102 percent through the Ohio Pooled Collateral System.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by:

Eligible securities pledged to the Village and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least one hundred five percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

C. Investments

As of December 31, 2018, the Village had the following investments:

	Weighted Average Maturities Years	Fair Value
STAROhio	n/a	\$ 308,767
Local government securities	n/a	8,323
		\$ 317,090

The fair value of these investments is not materially different than measurement value.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

D. Interest Rate Risk

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

E. Credit Risk

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

F. CONCENTRATION OF CREDIT RISK

The Village places no limit on the amount that may be invested in any one issuer. The following is the Village's allocation as of December 31, 2018.

	Percentage of Investments
STAROhio	97.4%
Local government securities	2.6%

G. CUSTODIAL CREDIT RISK

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

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 7 – INCOME TAXES

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

NOTE 8 – PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2018 represent the collection of 2017 taxes. Real property taxes received in 2018 were levied after October 1, 2017, on the assessed values as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2018 represent the collection of 2017 taxes. Public utility real and tangible personal property taxes received in 2018 became a lien on December 31, 2017, were levied after October 1, 2017, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The full tax rate for all Village operations for the year ended December 31, 2018, was \$ 4.10 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2018 property tax receipts were based are as follows:

	2018 Collection Year
Property valuation consisted of:	
Real property	\$ 85,315,290
Public utility property	3,710,920
Total valuation	\$ 89,026,210

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 9 – RISK MANAGEMENT

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

NOTE 10 - DEBT

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

	Restated Outstanding 12/31/17	Additions	Reductions	Outstanding 12/31/18	Due In One Year
Governmental activities					
Special assessment bonds					
Street Improvements (1999) 6.0% through 2019	\$ 8,522	\$ -	\$ 4,135	\$ 4,387	\$ 4,387
Street Improvements (2000) 5.75% through 2020	5,812	-	1,830	3,982	1,936
Total special assessment bonds	<u>14,334</u>	<u>-</u>	<u>5,965</u>	<u>8,369</u>	<u>6,323</u>
Ohio Public Works					
OPWC loan (2002) 0% through 2022	27,253	-	13,627	13,626	13,626
OPWC loan (2009) 0% through 2029	68,749	-	6,250	62,499	6,250
OPWC loan (2010) 0% through 2030	4,602	-	368	4,234	368
OPWC loan (2012) 0% through 2032	159,849	-	9,991	149,858	9,991
OPWC loan (2015) 0% through 2046	81,774	-	2,920	78,854	2,920
Total OPWC loans	<u>342,227</u>	<u>-</u>	<u>33,156</u>	<u>309,071</u>	<u>33,155</u>
Ohio Water Development Authority					
OWDA loan (2017) 2.13% through 2038	258,738	27,198	11,499	274,437	11,137
Total OWDA loans	<u>258,738</u>	<u>27,198</u>	<u>11,499</u>	<u>274,437</u>	<u>11,137</u>
Lorain County (2015) 0% through 2020	17,500	-	5,000	12,500	5,000
Total governmental activities	<u>\$ 632,799</u>	<u>\$ 27,198</u>	<u>\$ 55,620</u>	<u>\$ 604,377</u>	<u>\$ 55,615</u>

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 10 – DEBT (continued)

	Restated Outstanding 12/31/17	Additions	Reductions	Outstanding 12/31/18	Due In One Year
<u>Business-type activities</u>					
Ohio Public Works					
OPWC loan (2002)					
0% through 2022	\$ 18,674	\$ -	\$ 4,150	\$ 14,524	\$ 4,150
OPWC loan (1999)					
0% through 2019	6,759	-	4,507	2,252	2,252
OPWC loan (2010)					
0% through 2030	43,791	-	3,649	40,142	3,649
OPWC loan (2014)					
0% through 2045	157,499	-	5,834	151,665	5,834
OPWC loan (2016)					
0% through 2026	9,052	-	1,065	7,987	1,065
Total OPWC loans	<u>235,775</u>	<u>-</u>	<u>19,205</u>	<u>216,570</u>	<u>16,950</u>
Ohio Water Development Authority					
OWDA loan (2012)					
2.58% through 2033	463,667	*	25,676	437,991	26,342
OWDA loan (2017)					
2.13% through 2038	201,639	-	15,116	186,523	7,569
OWDA loan (1999)					
6.32% through 2024	548,009	-	77,933	470,076	82,859
OWDA loan (1999)					
6.87% through 2024	217,841	-	67,846	149,995	72,507
OWDA loan (2000)					
5.86% through 2024	407,149	-	53,330	353,819	56,455
OWDA loan (2005)					
4.66% through 2025	1,015,587	-	125,823	889,764	131,755
OWDA loan (2006)					
4.59% through 2037	1,546,271	-	52,459	1,493,812	54,894
OWDA loan (2010)					
4.59% through 2030	25,553	-	2,129	23,424	2,129
OWDA loan (2014)					
1.00% through 2034	249,906	-	14,003	235,903	14,143
OWDA loan (2015)					
1.30% through 2035	236,099	-	6,765	229,334	12,137
OWDA loan (2017)					
1.63% through 2038	93,700	26,821	8,293	112,228	5,084
Total OWDA loans	<u>5,005,421</u>	<u>26,821</u>	<u>449,373</u>	<u>4,582,869</u>	<u>465,874</u>
Total business-type activities	<u>\$ 5,241,196</u>	<u>\$ 26,821</u>	<u>\$ 468,578</u>	<u>\$ 4,799,439</u>	<u>\$ 482,824</u>

* The beginning balance of this OWDA loan has been adjusted to include amount reclassified from governmental activities.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 10 – DEBT (continued)

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

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

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

Year	Governmental Activities							
	Special Assessment Bonds		OPWC loans	OWDA loans		Lorain County	Total	
	Principal	Interest	Principal	Principal	Interest	Principal	Principal	Interest
2019	\$ 6,323	\$ 492	\$ 33,155	\$ 11,137	\$ 5,787	\$ 5,000	\$ 55,615	\$ 6,279
2020	2,046	118	19,529	11,375	5,548	5,000	37,950	5,666
2021	-	-	19,529	11,619	5,304	2,500	33,648	5,304
2022	-	-	19,529	11,868	5,055	-	31,397	5,055
2023	-	-	19,529	12,122	4,802	-	31,651	4,802
2024 - 2028	-	-	97,641	64,615	20,002	-	162,256	20,002
2029 - 2033	-	-	65,107	71,835	12,781	-	136,942	12,781
2034 - 2038	-	-	14,605	79,866	4,754	-	94,471	4,754
2039 - 2043	-	-	14,605	-	-	-	14,605	-
2044 - 2047	-	-	5,842	-	-	-	5,842	-
	<u>\$ 8,369</u>	<u>\$ 610</u>	<u>\$ 309,071</u>	<u>\$ 274,437</u>	<u>\$ 64,033</u>	<u>\$ 12,500</u>	<u>\$ 604,377</u>	<u>\$ 64,643</u>

Year	Business-type Activities				
	OWDA loans		OPWC loans	Total	
	Principal	Interest	Principal	Principal	Interest
2019	\$ 465,874	\$ 190,772	\$ 16,950	\$ 482,824	\$ 190,772
2020	489,390	167,257	14,698	504,088	167,257
2021	431,398	142,440	14,698	446,096	142,440
2022	451,908	121,931	12,622	464,530	121,931
2023	473,490	100,350	10,548	484,038	100,350
2024 - 2028	963,275	308,927	50,076	1,013,351	308,927
2029 - 2033	848,162	167,760	32,815	880,977	167,760
2034 - 2038	459,372	32,613	29,165	488,537	32,613
2039 - 2043	-	-	29,165	29,165	-
2044 - 2047	-	-	5,833	5,833	-
	<u>\$ 4,582,869</u>	<u>\$ 1,232,050</u>	<u>\$ 216,570</u>	<u>\$ 4,799,439</u>	<u>\$ 1,232,050</u>

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 10 – DEBT (continued)

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

NOTE 11 – CONTINGENT LIABILITIES

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

NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS

A. SOUTH LORAIN COUNTY AMBULANCE DISTRICT

The Ambulance District is an ambulance district organized pursuant to Ohio Rev. Code Section 505.71 and is directed by an appointed seven-member Board of Trustees representing the Villages of Wellington and Brighton, Huntington, Penfield, Pittsfield, Rochester, and Wellington Townships. The Ambulance District provides emergency medical services to the residents within the Ambulance District which includes the Village. In 2018, the Village did not make any payments to the Ambulance District. Financial information can be obtained by contacting the Ambulance District at 179 East Herrick Avenue, Wellington, Ohio, 44090.

B. WELLINGTON COMMUNITY FIRE DISTRICT

The Fire District is a joint or community fire district organized pursuant to Ohio Rev. Code Section 505.371 and is directed by an appointed six-member Board of Trustees representing the Village of Wellington and Brighton, Huntington, Penfield, Pittsfield, and Wellington Townships. The Fire District provides fire protection and rescue services within the Fire District which includes the Village. In 2018, the Village did not make any payments to the Fire District. Financial information can be obtained by contacting the Fire District at 202 Kelly Street, Wellington, Ohio, 44090

C. WELLINGTON UNION CEMETERY

The Cemetery is a union cemetery organized pursuant to Ohio Rev. Code Section 759.27 and is directed by an appointed three-member Board of Trustees representing the Village of Wellington and Wellington Township. The Cemetery provides for the sale of burial lots, grave openings and closings, and the perpetual care of graves to residents of the Village and Township. The Cemetery operates and maintains the West Herrick Cemetery and Greenwood Cemetery, both located in the Village. In 2018, the Village paid \$ 26,632 to the Cemetery. Financial information can be obtained by contacting the Cemetery at 115 Willard Square, Wellington, Ohio, 44090.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS (continued)

D. WELLINGTON COMMUNITY IMPROVEMENT CORPORATION (CIC)

The Wellington CIC is a community improvement corporation organized pursuant to Ohio Rev. Code Section 1724 and is directed by a seven-member Board of Trustees which includes the Village Mayor, Council President, and Village Administrator. The Wellington CIC coordinates community development activities within the Village. In 2018, the Village did not make any payments to the Wellington CIC. Financial information can be obtained by contacting the Wellington CIC at 115 Willard Square, Wellington, Ohio, 44090.

NOTE 13 – JOINT VENTURE WITH EQUITY INTEREST

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

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

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

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

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

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 13 – JOINT VENTURE WITH EQUITY INTEREST (continued)

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

The Village's net investment and its share of operating results of OMEGA JV5 are reported in the Village's electric fund (an enterprise fund). The Village's net investment to date in OMEGA JV5 was \$ 48,404 at December 31, 2017 (the most recent information available). Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

NOTE 14 – AMERICAN MUNICIPAL POWER GENERATING STATION PROJECT

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

In late 2016, AMP reached a Settlement in the Bechtel Corporation litigation. On December 8, 2016, at the AMPGS Participants meeting, options for the allocation of the Settlement funds were approved. The AMPGS Participants and the AMP Board of Trustees voted to allocate the Settlement among the participants and the AMP General Fund based on each participant's original project share in kW including the AMP General Fund's project share.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 14 – AMERICAN MUNICIPAL POWER GENERATING STATION PROJECT (continued)

Since March 31, 2014 the Village has made payments of \$198,793 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$16,374 and interest expense incurred on AMP's line-of-credit of \$28,847, resulting in a net impaired cost estimate at December 31, 2016 of \$529,806. The Village does have a potential PHFU Liability of \$376,722 resulting in a net total potential liability of \$906,528, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the Village's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include items such negative items as property taxes as well as positive items revenue from leases or sale of all or a portion of the Meigs County site property.

The Village intends to recover these costs and repay AMP over the next 15 years through a power cost adjustment.

NOTE 15 – DEFINED BENEFIT PENSION PLANS

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

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

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

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

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

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

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

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

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2018 Statutory Maximum Contribution Rates			
Employer	14.0%	18.1%	18.1%
Employee	10.0%	*	**
2018 Actual Contribution Rates			
Employer:			
Pension	14.0%	18.1%	18.1%
Post-employment Health Care Benefits	0.0%	0.0%	0.0%
Total Employer	<u>14.0%</u>	<u>18.1%</u>	<u>18.1%</u>
Employee	<u>10.0%</u>	<u>12.0%</u>	<u>13.0%</u>

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village's contractually required contribution was \$ 297,826 for 2018.

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

Plan Description - Village full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit (see OPF CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits):

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

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

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

	Police	Firefighters
2018 Statutory Maximum Contribution Rates		
Employer	19.50%	24.00%
Employee	12.25%	12.25%
2018 Actual Contribution Rates		
Employer:		
Pension	19.00%	23.50%
Post-employment Health Care Benefits	0.50%	0.50%
Total Employer	19.50%	24.00%
Employee	12.25%	12.25%

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required contribution to OPF was \$ 76,721 for 2018. The Village has no firefighters.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 – POSTEMPLOYMENT BENEFITS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member-directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 – POSTEMPLOYMENT BENEFITS (continued)

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

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2018, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. For 2018, OPERS did not allocate any employer contributions to post-employment health care.

B. OHIO POLICE AND FIRE PENSION FUND

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OPF provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 75.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 – POSTEMPLOYMENT BENEFITS (continued)

B. OHIO POLICE AND FIRE PENSION FUND (continued)

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OPF maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2018, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

Beginning January 1, 2019, OPF is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OPF will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

The Village's contractually required contribution to OPF was \$ 2,019 for 2018.

NOTE 17 – TAX ABATEMENT

Tax abatement was granted by the Village through the Ohio Community Reinvestment Area Program (Ohio Development Services Agency, Office of Tax Incentives) for Kalron LLC/Development 58 LLC located at 775 Shiloh Avenue, Wellington in the amount of 100% for 10 years on the new real property investment of \$ 900,000 (total project cost was \$ 1,500,000) in 2012. Kalron was eligible for tax abatement because they were making an investment in new real property and creating jobs. The project was expected to create 12 new jobs.

For the year ended December 31, 2018, the Village abated property taxes totaling \$ 1,731. There are no provisions for recapturing abated taxes.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 18 – INTERFUND ACTIVITY

Interfund advances at December 31, 2018, consisted of \$ 25,00 advance repaid from the Sewer Fund to the General Fund. As of December 31, 2018, the Sewer Fund has a remaining \$ 75,000 due to the General Fund as a result of an unpaid advance from the prior year.

NOTE 19 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued. We did not identify any new information required to be reported since the balance sheet date.

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VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

UNAUDITED

This discussion and analysis of the Village of Wellington, Ohio's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2017, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Financial Highlights

Key highlights for 2017 are as follows

The net position of governmental activities increased \$ 289,609 or 9.3 percent from 2016. This was the result of increases of \$ 73,490 in the Street Construction and Maintenance Fund (SCMR), \$ 147,809 in the Capital Improvements Fund and \$ 101,488 in the Other Governmental Funds, while the General Fund had a decrease of \$ 33,178.

The Village's general receipts are primarily municipal income taxes and property and other local taxes. These receipts represent respectively 45.0 percent and 15.7 percent of the total cash received for governmental activities during the year.

The net position of business-type activities increased \$ 139,811 from 2016. Net position in the Water Fund and Sewer Funds increased by \$ 24,342 and \$ 131,237, respectively. Net position in the Electric Fund and Other Enterprise funds decreased by \$ 6,817 and \$ 8,951, respectively.

Using the Basic Financial Statements

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

Report Components

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

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

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

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

UNAUDITED

Basis of Accounting

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

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

Government-wide Financial Statements

The Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis reflect how the Village did financially during 2017, within the limitations of cash basis accounting. The Statement of Net Position – Cash Basis presents the equity in pooled cash of the governmental and business-type activities of the Village at year-end. The Statement of Activities – Cash Basis compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

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

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

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

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

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

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Fund Financial Statements

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

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

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

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

The Village as a Whole

Table 1 provides a summary of the Village's net position for 2017 compared to 2016 on a cash basis:

**Table 1
Net Position**

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Equity in pooled cash	\$ 3,412,138	\$ 3,122,529	\$ 4,029,360	\$ 3,889,549	\$ 7,441,498	\$ 7,012,078
Total assets	<u>\$ 3,412,138</u>	<u>\$ 3,122,529</u>	<u>\$ 4,029,360</u>	<u>\$ 3,889,549</u>	<u>\$ 7,441,498</u>	<u>\$ 7,012,078</u>
Net position						
Restricted for:						
Capital projects	\$ 1,501,767	\$ 1,353,958	\$ -	\$ -	\$ 1,501,767	\$ 1,353,958
Debt service	198,205	195,754	-	-	198,205	195,754
Other	967,850	795,323	-	-	967,850	795,323
Unrestricted	744,316	777,494	4,029,360	3,889,549	4,773,676	4,667,043
Total net position	<u>\$ 3,412,138</u>	<u>\$ 3,122,529</u>	<u>\$ 4,029,360</u>	<u>\$ 3,889,549</u>	<u>\$ 7,441,498</u>	<u>\$ 7,012,078</u>

VILLAGE OF WELLINGTON
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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As mentioned previously, the net position of governmental activities increased \$ 289,609 or 9.3 percent during 2017.

Table 2 reflects the changes in net position in 2017 compared to 2016 on a cash basis.

Table 2
Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Receipts						
Program receipts						
Charges for services	\$ 178,596	\$ 128,005	\$ 10,603,436	\$ 10,493,051	\$ 10,782,032	\$ 10,621,056
Operating grants and contributions	52,683	61,738	-	-	52,683	61,738
Capital grants and contributions	198,406	56,997	133,032	58,949	331,438	115,946
Total program receipts	<u>429,685</u>	<u>246,740</u>	<u>10,736,468</u>	<u>10,552,000</u>	<u>11,166,153</u>	<u>10,798,740</u>
General receipts						
Property and other local taxes	631,039	673,372	-	-	631,039	673,372
Municipal income taxes	1,802,775	1,864,603	-	-	1,802,775	1,864,603
Grants and entitlements	331,038	296,900	-	-	331,038	296,900
Loan proceeds	258,738	-	295,339	10,649	554,077	10,649
Interest	45,200	37,210	56	36	45,256	37,246
Other	610,177	544,277	-	-	610,177	544,277
Advances	(100,000)	-	100,000	-	-	-
General receipts and advances	<u>3,578,967</u>	<u>3,416,362</u>	<u>395,395</u>	<u>10,685</u>	<u>3,974,362</u>	<u>3,427,047</u>
Total receipts	<u>\$ 4,008,652</u>	<u>\$ 3,663,102</u>	<u>\$ 11,131,863</u>	<u>\$ 10,562,685</u>	<u>\$ 15,140,515</u>	<u>\$ 14,225,787</u>

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

UNAUDITED

Table 2
Change in Net Position
(Concluded)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Program cash disbursements						
General government	\$ 730,427	\$ 658,517	\$ -	\$ -	\$ 730,427	\$ 658,517
Security of persons and property	1,162,741	1,151,747	-	-	1,162,741	1,151,747
Public health services	29,473	29,658	-	-	29,473	29,658
Leisure time activities	74,737	64,299	-	-	74,737	64,299
Community environment	139,287	120,716	-	-	139,287	120,716
Transportation	771,522	756,720	-	-	771,522	756,720
Capital outlay	756,280	266,491	-	-	756,280	266,491
Principal	51,530	43,625	-	-	51,530	43,625
Interest and fiscal charges	3,046	3,450	-	-	3,046	3,450
Water	-	-	980,372	766,404	980,372	766,404
Sewer	-	-	1,182,878	1,039,033	1,182,878	1,039,033
Electric	-	-	8,408,266	9,872,683	8,408,266	9,872,683
Refuse	-	-	324,989	322,180	324,989	322,180
Other	-	-	95,547	55,079	95,547	55,079
Total program cash disbursements	<u>3,719,043</u>	<u>3,095,223</u>	<u>10,992,052</u>	<u>12,055,379</u>	<u>14,711,095</u>	<u>15,150,602</u>
Increase (decrease) in net position	289,609	567,879	139,811	(1,492,694)	429,420	(924,815)
Net position, at beginning of year	<u>3,122,529</u>	<u>2,554,650</u>	<u>3,889,549</u>	<u>5,382,243</u>	<u>7,012,078</u>	<u>7,936,893</u>
Net position, at end of year	<u>\$ 3,412,138</u>	<u>\$ 3,122,529</u>	<u>\$ 4,029,360</u>	<u>\$ 3,889,549</u>	<u>\$ 7,441,498</u>	<u>\$ 7,012,078</u>

Governmental Activities

Program receipts represent 10.7 percent of total receipts and are comprised of charges for services, operating and capital grants and contributions.

General receipts represent 89.3 percent of the Village's total receipts of governmental activities, and of this amount, 68.0 percent are municipal income taxes and property and other local taxes. Other receipts are very insignificant and somewhat unpredictable revenue sources.

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

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

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

UNAUDITED

If you look at the Statement of Activities – Cash Basis on page 61, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property, transportation, general government and capital outlay which account for 31.3 percent, 20.7 percent, 19.6 percent, and 20.3 percent of all governmental disbursements, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net (Disbursement) Receipt column compares the program receipts to the cost of the service. This “net cost” amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
Governmental activities		
General government	\$ 730,427	\$ 545,578
Security of persons and property	1,162,741	1,147,208
Public health services	29,473	28,371
Leisure time activities	74,737	55,186
Community environment	139,287	133,579
Transportation	771,522	575,944
Capital outlay	756,280	748,916
Principal	51,530	51,530
Interest and fiscal charges	3,046	3,046
Total governmental activities	\$ 3,719,043	\$ 3,289,358

The dependence upon property and income tax receipts is apparent as 65.4 percent of governmental activities are supported through these general receipts.

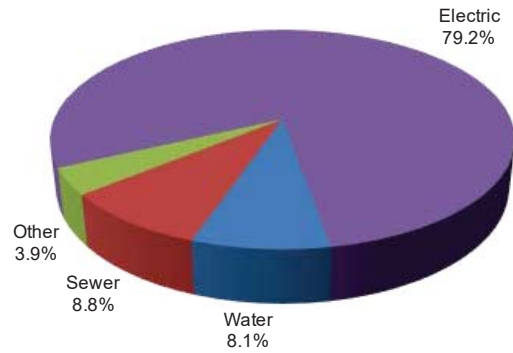
VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

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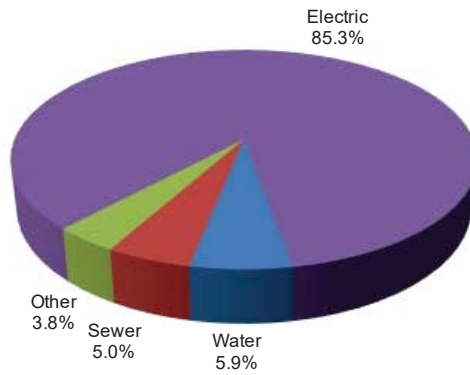
Business-type Activities

Charges for services is the primary source of receipts for the business-type activities. Program cash receipts were \$ 184,468 higher in 2017.

Receipts, Business-type Activities



Operating Disbursements, Business-type Activities



VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

UNAUDITED

The Village's Funds

Total governmental funds had receipts of \$ 3,849,914 and disbursements of \$ 3,719,043. Net other financing sources (uses) totaled \$ 158,738. The fund balances of the General Fund, SCMR Fund, Capital Improvements Fund and Other Governmental Funds changed by (\$ 33,178), \$ 73,490, \$ 147,809 and \$ 101,488, respectively.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances

During 2017, the Village amended its General Fund budget to reflect changing circumstances. Final budgeted receipts were the same as original budgeted receipts. Actual receipts were more than the final budgeted amount by \$ 6,361. Final disbursements were budgeted at \$ 3,037,014 which was \$ 85,000 higher than original appropriations. Actual disbursements were \$ 158,956 less than the final budgeted amount.

During 2017, there were not any amendments to the Village's SCMR Fund budget. Final and original budgeted receipts were \$ 559,000. Actual receipts were lower than the final budgeted amount by \$ 9,768. Final and original appropriations were \$ 605,503. Actual disbursements were \$ 38,143 less than the final budgeted amount.

Capital Assets

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

Debt

Outstanding debt obligations of the Village consisted of:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Bonds						
Special assessment	\$ 14,334	\$ 19,964	\$ -	\$ -	\$ 14,334	\$ 19,964
OPWC loans	342,227	375,383	235,775	254,980	578,002	630,363
OWDA loans	386,870	133,376	4,877,289	4,986,354 *	5,264,159	5,119,730
Note payable	17,500	25,000	-	-	17,500	25,000
	<u>\$ 760,931</u>	<u>\$ 553,723</u>	<u>\$ 5,113,064</u>	<u>\$ 5,241,334</u>	<u>\$ 5,873,995</u>	<u>\$ 5,795,057</u>

* A Business-type OWDA loan has been adjusted to include prior years' capitalize interest.

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

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

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Current Issues

Utility Cost of Service Study

In early 2017, the Village engaged the services of Poggemeyer Design Group to prepare a cost of service study for the Water, Sewer and Storm Water Utilities. The study included an evaluation and analysis of utility expenses, revenues, debt service, capital improvement plans and cash reserves in order to develop revenue requirement projections over a 3 year period beginning in 2018. In December of 2017, Village Council authorized rate adjustments to the Water, Sewer and Storm Water utilities commencing February 1, 2018.

Grade Separation Project

In October of 2017, the Ohio Department of Transportation issued a C-85 Report of Final Inspection and Punchlist Item Completion for the Grade Separation Project. The contractor, Beaver Excavating, is relieved from any further maintenance responsibilities.

Adams Street Improvement Project

In May of 2017, Village Council awarded a construction contract to Fechko Excavating, Inc. of Medina, Ohio in the amount of \$851,722 for the purpose of constructing water, sewer, storm sewer and roadway improvements on Adams Street. A combination of loan funds from the Ohio Public Works Commission and Ohio Water Development Authority financed a portion of the construction costs. Remaining project costs are funded through street assessments and local capital improvement funds. The project is substantially complete as of December, 2017. Remaining construction punchlist items shall be completed by the Spring of 2018.

Electric Substation Project

In September of 2017, the new Erie Street substation was energized and placed into service.

Ground Storage Tank and Raw Water Pump Improvement Project

In July of 2017, the Village executed a \$350,000 financial assistance agreement with the Ohio Public Works Commission for the proposed Ground Storage Tank and Raw Water Pump Improvement Project. The financial assistance includes a 50% grant and 50% loan at 0%. The proposed project includes the replacement of a 1952 ground level storage tank located on Erie Street and four (4) drive units on raw water pumps located at the raw water pumping station on Pitts Road. Total project cost is estimated at \$1.3 million with remaining financial assistance expected from the Ohio EPA HAB program. The proposed construction is set for mid-2018.

McCormick Middle School Property

In February of 2017, the former McCormick Middle School property located on South Main Street was officially transferred to the Village. In March of 2017, Mayor Schneider created a Park Committee made up of citizens and other stakeholders to develop conceptual plans for a passive community park at the former middle school site. A final draft of the park plan was approved by the Park Committee in December of 2017.

Change in Political Leadership

In June of 2017, Sandy Denes chose not to seek re-election to Village Council. In November of 2017, William Bogan was elected to his first term and incumbents Gene Hartman and Keith Rowland were re-elected.

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

UNAUDITED

Contacting the Village's Financial Management

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

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
STATEMENT OF NET POSITION – CASH BASIS
DECEMBER 31, 2017

	Governmental Activities	Business-type Activities	Total
Assets			
Equity in pooled cash	\$ 3,412,138	\$ 4,029,360	\$ 7,441,498
Total assets	\$ 3,412,138	\$ 4,029,360	\$ 7,441,498
Net position			
Restricted for:			
Capital projects	\$ 1,501,767	\$ -	\$ 1,501,767
Debt service	198,205	-	198,205
Highways and streets	580,412	-	580,412
Security of persons and property	353,921	-	353,921
Other	33,517	-	33,517
Unrestricted	744,316	4,029,360	4,773,676
Total net position	\$ 3,412,138	\$ 4,029,360	\$ 7,441,498

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY

STATEMENT OF ACTIVITIES – CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Cash Disbursements	Program Cash Receipts		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Current				
General government	\$ 730,427	\$ 156,879	\$ 27,970	\$ -
Security of persons and property	1,162,741	9,983	5,550	-
Public health services	29,473	1,102	-	-
Leisure time activities	74,737	6,096	13,455	-
Community environment	139,287	-	5,708	-
Transportation	771,522	-	-	195,578
Capital outlay	756,280	4,536	-	2,828
Debt service				
Principal	51,530	-	-	-
Interest and fiscal charges	3,046	-	-	-
Total governmental activities	<u>3,719,043</u>	<u>178,596</u>	<u>52,683</u>	<u>198,406</u>
Business-type activities				
Water	980,372	853,711	-	57,303
Sewer	1,182,878	936,747	-	75,729
Electric	8,408,266	8,401,449	-	-
Refuse	324,989	332,824	-	-
Other	95,547	78,705	-	-
Total business-type activities	<u>10,992,052</u>	<u>10,603,436</u>	<u>-</u>	<u>133,032</u>
Total	<u>\$ 14,711,095</u>	<u>\$ 10,782,032</u>	<u>\$ 52,683</u>	<u>\$ 331,438</u>

General receipts
 Property taxes levied for:
 General purposes
 Municipal income taxes
 Grants and entitlements not restricted to specific programs
 Loan proceeds
 Interest
 Other
 Advances
 Total general receipts, transfers and advances

Change in net position

Net position at beginning of year

Net position at end of year

See accompanying notes to the basic financial statements.

Net (Disbursements) Receipts and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (545,578)	\$ -	\$ (545,578)
(1,147,208)	-	(1,147,208)
(28,371)	-	(28,371)
(55,186)	-	(55,186)
(133,579)	-	(133,579)
(575,944)	-	(575,944)
(748,916)	-	(748,916)
(51,530)	-	(51,530)
(3,046)	-	(3,046)
<u>(3,289,358)</u>	<u>-</u>	<u>(3,289,358)</u>
-	(69,358)	(69,358)
-	(170,402)	(170,402)
-	(6,817)	(6,817)
-	7,835	7,835
-	(16,842)	(16,842)
-	(255,584)	(255,584)
<u>(3,289,358)</u>	<u>(255,584)</u>	<u>(3,544,942)</u>
631,039	-	631,039
1,802,775	-	1,802,775
331,038	-	331,038
258,738	295,339	554,077
45,200	56	45,256
610,177	-	610,177
(100,000)	100,000	-
<u>3,578,967</u>	<u>395,395</u>	<u>3,974,362</u>
289,609	139,811	429,420
<u>3,122,529</u>	<u>3,889,549</u>	<u>7,012,078</u>
<u>\$ 3,412,138</u>	<u>\$ 4,029,360</u>	<u>\$ 7,441,498</u>

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES -
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	<u>General Fund</u>	<u>SCMR Fund</u>	<u>Capital Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in pooled cash	\$ 744,316	\$ 542,122	\$ 1,501,767	\$ 623,933	\$ 3,412,138
Total assets	<u>\$ 744,316</u>	<u>\$ 542,122</u>	<u>\$ 1,501,767</u>	<u>\$ 623,933</u>	<u>\$ 3,412,138</u>
Fund balances					
Restricted	\$ -	\$ 542,122	\$ 1,501,767	\$ 623,933	\$ 2,667,822
Assigned	68,356	-	-	-	68,356
Unassigned	675,960	-	-	-	675,960
Total fund balances	<u>\$ 744,316</u>	<u>\$ 542,122</u>	<u>\$ 1,501,767</u>	<u>\$ 623,933</u>	<u>\$ 3,412,138</u>

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY

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

FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	SCMR Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and other taxes	\$ 583,737	\$ -	\$ -	\$ 47,302	\$ 631,039
Municipal income tax	1,352,081	-	450,694	-	1,802,775
Special assessments	-	1,049	42,186	39,494	82,729
Charges for services	545,725	-	4,536	-	550,261
Fines, licenses and permits	79,402	-	-	-	79,402
Intergovernmental	175,273	286,388	-	120,466	582,127
Interest	40,719	4,103	-	378	45,200
Contributions and donations	5,520	-	-	25,970	31,490
Miscellaneous	41,395	-	2,394	1,102	44,891
Total receipts	<u>2,823,852</u>	<u>291,540</u>	<u>499,810</u>	<u>234,712</u>	<u>3,849,914</u>
Disbursements					
Current					
General government	729,027	-	-	1,400	730,427
Security of persons and property	1,135,839	-	-	26,902	1,162,741
Public health services	2,886	-	-	26,587	29,473
Leisure time activities	70,296	-	-	4,441	74,737
Community environment	139,233	-	-	54	139,287
Transportation	670,249	63,472	-	37,801	771,522
Capital outlay	-	403,283	352,001	996	756,280
Debt service					
Principal	7,500	8,165	-	35,865	51,530
Interest and fiscal charges	-	1,868	-	1,178	3,046
Total disbursements	<u>2,755,030</u>	<u>476,788</u>	<u>352,001</u>	<u>135,224</u>	<u>3,719,043</u>
Excess of receipts over (under) disbursements	<u>68,822</u>	<u>(185,248)</u>	<u>147,809</u>	<u>99,488</u>	<u>130,871</u>
Other financing sources (uses)					
Loan proceeds	-	258,738	-	-	258,738
Transfers in	-	-	-	2,000	2,000
Transfer out	(2,000)	-	-	-	(2,000)
Advances out	(100,000)	-	-	-	(100,000)
Total other financing sources	<u>(102,000)</u>	<u>258,738</u>	<u>-</u>	<u>2,000</u>	<u>158,738</u>
Net change in fund balances	<u>(33,178)</u>	<u>73,490</u>	<u>147,809</u>	<u>101,488</u>	<u>289,609</u>
Fund balances at beginning of year	<u>777,494</u>	<u>468,632</u>	<u>1,353,958</u>	<u>522,445</u>	<u>3,122,529</u>
Fund balances at end of year	<u>\$ 744,316</u>	<u>\$ 542,122</u>	<u>\$ 1,501,767</u>	<u>\$ 623,933</u>	<u>\$ 3,412,138</u>

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY

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

FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and other taxes	\$ 616,854	\$ 616,854	\$ 583,737	\$ (33,117)
Municipal income tax	1,364,000	1,364,000	1,352,081	(11,919)
Charges for services	539,500	539,500	539,629	129
Fines, licenses and permits	35,700	35,700	79,402	43,702
Intergovernmental	179,291	179,291	175,273	(4,018)
Interest	30,000	30,000	40,719	10,719
Contributions and donations	14,050	14,050	5,520	(8,530)
Miscellaneous	32,000	32,000	41,395	9,395
Total receipts	2,811,395	2,811,395	2,817,756	6,361
Disbursements				
Current				
General government	780,677	790,677	734,524	56,153
Security of persons and property	1,151,722	1,171,722	1,144,414	27,308
Public health services	5,535	5,535	2,990	2,545
Leisure time activities	72,412	72,412	72,096	316
Community environment	133,688	188,688	149,761	38,927
Transportation	707,980	707,980	672,273	35,707
Total disbursements	2,852,014	2,937,014	2,776,058	160,956
Excess of receipts over (under) disbursements	<u>(40,619)</u>	<u>(125,619)</u>	<u>41,698</u>	<u>167,317</u>
Other financing sources				
Transfer out	-	-	(2,000)	(2,000)
Advances out	(100,000)	(100,000)	(100,000)	-
Total other financing sources	<u>(100,000)</u>	<u>(100,000)</u>	<u>(102,000)</u>	<u>(2,000)</u>
Net change in fund balances	(140,619)	(225,619)	(60,302)	165,317
Prior year encumbrances appropriated	22,866	22,866	22,866	-
Fund balances at beginning of year	713,396	713,396	713,396	-
Fund balances at end of year	\$ 595,643	\$ 510,643	\$ 675,960	\$ 165,317

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY

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

FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Special assessments	\$ -	\$ -	\$ 1,049	\$ 1,049
Intergovernmental	210,000	210,000	286,388	76,388
Interest	1,000	1,000	4,103	3,103
Total receipts	<u>211,000</u>	<u>211,000</u>	<u>291,540</u>	<u>80,540</u>
Disbursements				
Current				
Transportation	89,181	89,181	63,472	25,709
Capital outlay	505,322	505,322	493,855	11,467
Debt service				
Principal	9,000	9,000	8,165	835
Interest and fiscal charges	2,000	2,000	1,868	132
Total disbursements	<u>605,503</u>	<u>605,503</u>	<u>567,360</u>	<u>38,143</u>
Excess of receipts over (under) disbursements	<u>(394,503)</u>	<u>(394,503)</u>	<u>(275,820)</u>	<u>118,683</u>
Other financing sources				
Loan proceeds	348,000	348,000	257,692	(90,308)
Total other financing sources	<u>348,000</u>	<u>348,000</u>	<u>257,692</u>	<u>(90,308)</u>
Net change in fund balances	(46,503)	(46,503)	(18,128)	28,375
Prior year encumbrances appropriated	28,503	28,503	28,503	-
Fund balances at beginning of year	<u>440,129</u>	<u>440,129</u>	<u>440,129</u>	<u>-</u>
Fund balances at end of year	<u>\$ 422,129</u>	<u>\$ 422,129</u>	<u>\$ 450,504</u>	<u>\$ 28,375</u>

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
STATEMENT OF FUND NET POSITION – CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2017

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Electric Fund</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Assets					
Equity in pooled cash	<u>\$ 308,713</u>	<u>\$ 277,519</u>	<u>\$ 3,163,765</u>	<u>\$ 279,363</u>	<u>\$ 4,029,360</u>
Total assets	<u>\$ 308,713</u>	<u>\$ 277,519</u>	<u>\$ 3,163,765</u>	<u>\$ 279,363</u>	<u>\$ 4,029,360</u>
Net position					
Unrestricted	<u>\$ 308,713</u>	<u>\$ 277,519</u>	<u>\$ 3,163,765</u>	<u>\$ 279,363</u>	<u>\$ 4,029,360</u>
Total net position	<u>\$ 308,713</u>	<u>\$ 277,519</u>	<u>\$ 3,163,765</u>	<u>\$ 279,363</u>	<u>\$ 4,029,360</u>

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND NET POSITION – CASH BASIS – PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Water Fund	Sewer Fund	Electric Fund	Other Enterprise Funds	Total Enterprise Funds
Receipts					
Charges for services	\$ 847,308	\$ 928,908	\$ 8,385,745	\$ 411,529	\$ 10,573,490
Interest	-	-	-	56	56
Miscellaneous	6,403	7,839	15,704	-	29,946
Total receipts	<u>853,711</u>	<u>936,747</u>	<u>8,401,449</u>	<u>411,585</u>	<u>10,603,492</u>
Operating disbursements					
Personal services	336,987	369,611	658,961	-	1,365,559
Travel transportation	1,287	1,749	6,951	-	9,987
Contractual services	44,528	45,574	7,045,613	344,575	7,480,290
Materials and supplies	189,181	72,797	578,580	27,079	867,637
Total operating disbursements	<u>571,983</u>	<u>489,731</u>	<u>8,290,105</u>	<u>371,654</u>	<u>9,723,473</u>
Operating income	<u>281,728</u>	<u>447,016</u>	<u>111,344</u>	<u>39,931</u>	<u>880,019</u>
Non-operating receipts (disbursements)					
Loan proceeds	93,700	201,639	-	-	295,339
Intergovernmental	43,726	64,380	-	-	108,106
Special assessments	777	4,349	-	-	5,126
Capital outlay	(214,826)	(284,621)	(118,161)	(48,882)	(666,490)
Principal paid	(118,155)	(305,454)	-	-	(423,609)
Interest and fiscal charges	(75,408)	(103,072)	-	-	(178,480)
Total non-operating receipts (disbursements)	<u>(270,186)</u>	<u>(422,779)</u>	<u>(118,161)</u>	<u>(48,882)</u>	<u>(860,008)</u>
Income (loss) before contributions and advances	<u>11,542</u>	<u>24,237</u>	<u>(6,817)</u>	<u>(8,951)</u>	<u>20,011</u>
Capital contributions - tap fees	12,800	7,000	-	-	19,800
Advances in	-	100,000	-	-	100,000
Change in net position	24,342	131,237	(6,817)	(8,951)	139,811
Net position at beginning of year	<u>284,371</u>	<u>146,282</u>	<u>3,170,582</u>	<u>288,314</u>	<u>3,889,549</u>
Net position at end of year	<u>\$ 308,713</u>	<u>\$ 277,519</u>	<u>\$ 3,163,765</u>	<u>\$ 279,363</u>	<u>\$ 4,029,360</u>

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
STATEMENT OF NET POSITION – CASH BASIS
FIDUCIARY FUNDS
DECEMBER 31, 2017

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

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1 – REPORTING ENTITY

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

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

A. PRIMARY GOVERNMENT

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

B. COMPONENT UNITS

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

C. JOINTLY GOVERNED ORGANIZATIONS

The Village is associated with the South Lorain County Ambulance District, Wellington Community Fire District, Wellington Union Cemetery and Wellington Community Improvement Corporation. These organizations and their relationships with the Village are described in more detail in Note 12 of these financial statements.

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

D. JOINT VENTURE WITH EQUITY INTEREST

Ohio Municipal Electric Generation Agency Joint Venture 1 (Omega JV-1) – The Village is a participant with twenty-one subdivisions within the State of Ohio in a joint venture to provide supplemental reserve electric power to the participants on a cooperative basis. The Omega JV-1 was created for that purpose. The Omega JV-1 is managed by AMP-Ohio, which acts as the joint venture's agent. See Note 13 and Note 14 of these financial statements.

Ohio Municipal Electric Generation Agency Joint Venture 5 (Omega JV-5) – The Village is a participant with forty-two subdivisions within the State of Ohio in a joint venture to construct a hydroelectric plant and associated transmission facilities in West Virginia on the Ohio River at the Belleville Locks and Dam and receive electricity from its operation. The Omega JV-5 was created for that purpose. The Omega JV-5 is managed by AMP-Ohio, which acts as the joint venture agent. See Note 13 and Note 14 of these financial statements.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. BASIS OF PRESENTATION

The Village's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

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

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

Fund Financial Statements

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

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

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. FUND ACCOUNTING

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

Governmental Funds

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

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

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

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

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

Proprietary Funds

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

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

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

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

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

Fiduciary Funds

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

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF ACCOUNTING

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

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

D. BUDGETARY PROCESS

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

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

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

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

E. CASH AND INVESTMENTS

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

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Interest recorded to the General Fund during fiscal year 2017 amounted to \$ 40,719 which included \$ 36,800 assigned from other Village funds.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. CASH AND INVESTMENTS (continued)

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

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

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

F. RESTRICTED ASSETS

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

G. INVENTORY AND PREPAID ITEMS

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

H. CAPITAL ASSETS

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

I. INTERFUND RECEIVABLES/PAYABLES

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

J. ACCUMULATED LEAVE

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

K. EMPLOYER CONTRIBUTIONS TO COST-SHARING PENSION PLANS

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 15 and 16, the employer contributions include portions for pension benefits and for postretirement health care benefits.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. LONG-TERM OBLIGATIONS

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

M. NET POSITION

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

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position is available. As of December 31, 2017, restricted net position restricted by enabling legislation amounted to \$ 198,205.

N. FUND BALANCE

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

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Village Council.

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

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. FUND BALANCE (continued)

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

O. INTERFUND TRANSACTIONS

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

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

During 2017, the Village implemented the following Governmental Accounting Standards Board (GASB) statements: Statement No. 80, "Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14"; Statement No. 81, "Irrevocable Split-Interest Agreements"; and Statement No. 82, "Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73".

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement had no effect on the Village's financial statements.

GASB Statement No 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement had no effect on the Village's financial statements.

GASB Statement No. 82 improves consistency in the application of pension accounting. This statement had no effect on the Village's financial statements.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

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

Net Change in Fund Balance		
	General Fund	SCMR Fund
Budget basis	\$ (60,302)	\$ (18,128)
Adjustments .		
Encumbrances	21,028	91,618
Funds budgeted elsewhere **	6,096	-
Cash basis, as reported	\$ (33,178)	\$ 73,490

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

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 5 – FUND BALANCES

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

	<u>General Fund</u>	<u>SCMR Fund</u>	<u>Capital Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balances					
Restricted for:					
Capital projects	\$ -	\$ -	\$ 1,501,767	\$ -	\$ 1,501,767
Debt service	-	-	-	198,205	198,205
Highways and streets	-	542,122	-	255,787	797,909
Security of persons and property	-	-	-	136,424	136,424
Other	-	-	-	33,517	33,517
	<u>-</u>	<u>542,122</u>	<u>1,501,767</u>	<u>623,933</u>	<u>2,667,822</u>
Assigned					
Recreation	40,264	-	-	-	40,264
Encumbrances	21,028	-	-	-	21,028
Railroad grade crossing improvement	7,064	-	-	-	7,064
	<u>68,356</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,356</u>
Unassigned	675,960	-	-	-	675,960
Total fund balances	<u>\$ 744,316</u>	<u>\$ 542,122</u>	<u>\$ 1,501,767</u>	<u>\$ 623,933</u>	<u>\$ 3,412,138</u>

NOTE 6 - DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

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

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

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

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

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

B. DEPOSITS

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$ 4,333,130 of the Village's bank balance of \$ 6,772,127 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Village to a successful claim by the Federal Deposit Insurance Corporation. The Village's financial institution was approved for a reduced collateral rate of 102 percent through the Ohio Pooled Collateral System.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by:

Eligible securities pledged to the Village and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least one hundred five percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

C. Investments

As of December 31, 2017, the Village had the following investments:

	Weighted Average Maturities Years	Fair Value
STAROhio	n/a	\$ 739,260
Local government securities	n/a	15,133
		\$ 754,393

The fair value of these investments is not materially different than measurement value.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

D. Interest Rate Risk

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

E. Credit Risk

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

F. CONCENTRATION OF CREDIT RISK

The Village places no limit on the amount that may be invested in any one issuer. The following is the Village's allocation as of December 31, 2017.

	<u>Percentage of Investments</u>
STAROhio	98.0%
Local government securities	2.0%

G. CUSTODIAL CREDIT RISK

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

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 7 – INCOME TAXES

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

NOTE 8 – PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2017 represent the collection of 2016 taxes. Real property taxes received in 2017 were levied after October 1, 2016, on the assessed values as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2017 represent the collection of 2016 taxes. Public utility real and tangible personal property taxes received in 2017 became a lien on December 31, 2016, were levied after October 1, 2016, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The full tax rate for all Village operations for the year ended December 31, 2017, was \$ 4.10 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2017 property tax receipts were based are as follows:

	2017 Collection Year
Property valuation consisted of:	
Real property	\$ 84,879,100
Public utility property	1,364,930
Total valuation	\$ 86,244,030

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 9 – RISK MANAGEMENT

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

NOTE 10 - DEBT

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

	Outstanding 12/31/16	Additions	Reductions	Outstanding 12/31/17	Due In One Year
<u>Governmental activities</u>					
Special assessment bonds					
Street Improvements (1999) 6.0% through 2019	\$ 12,421	\$ -	\$ 3,899	\$ 8,522	\$ 4,135
Street Improvements (2000) 5.75% through 2020	7,543	-	1,731	5,812	1,830
Total special assessment bonds	<u>19,964</u>	<u>-</u>	<u>5,630</u>	<u>14,334</u>	<u>5,965</u>
Ohio Public Works					
OPWC loan (2002) 0% through 2022	40,880	-	13,627	27,253	13,627
OPWC loan (2009) 0% through 2029	74,999	-	6,250	68,749	6,250
OPWC loan (2010) 0% through 2030	4,970	-	368	4,602	368
OPWC loan (2012) 0% through 2032	169,840	-	9,991	159,849	9,991
OPWC loan (2015) 0% through 2046	84,694	-	2,920	81,774	2,920
Total OPWC loans	<u>375,383</u>	<u>-</u>	<u>33,156</u>	<u>342,227</u>	<u>33,156</u>
Ohio Water Development Authority					
OWDA loan (2012) 2.58% through 2033	133,376	-	5,244	128,132	6,932
OWDA loan (2017) 2.13% through 2038	-	258,738	-	258,738	-
Total OWDA loans	<u>133,376</u>	<u>258,738</u>	<u>5,244</u>	<u>386,870</u>	<u>6,932</u>
Lorain County (2015) 0% through 2020	25,000	-	7,500	17,500	5,000
Total governmental activities	<u>\$ 553,723</u>	<u>\$ 258,738</u>	<u>\$ 51,530</u>	<u>\$ 760,931</u>	<u>\$ 51,053</u>

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 10 – DEBT (continued)

	Restated Outstanding 12/31/16	Additions	Reductions	Outstanding 12/31/17	Due In One Year
<u>Business-type activities</u>					
Ohio Public Works					
OPWC loan (2002)					
0% through 2022	\$ 22,824	\$ -	\$ 4,150	\$ 18,674	\$ 4,150
OPWC loan (1999)					
0% through 2019	11,266	-	4,507	6,759	4,507
OPWC loan (2010)					
0% through 2030	47,440	-	3,649	43,791	3,649
OPWC loan (2014)					
0% through 2045	163,333	-	5,834	157,499	5,834
OPWC loan (2016)					
0% through 2026	10,117	-	1,065	9,052	1,065
Total OPWC loans	<u>254,980</u>	<u>-</u>	<u>19,205</u>	<u>235,775</u>	<u>19,205</u>
Ohio Water Development Authority					
OWDA loan (2012)					
2.58% through 2033	355,317	-	19,782	335,535	18,743
OWDA loan (2017)					
2.13% through 2038	-	201,639	-	201,639	-
OWDA loan (1999)					
6.32% through 2024	621,310	-	73,301	548,009	77,933
OWDA loan (1999)					
6.87% through 2024	281,325	-	63,484	217,841	67,846
OWDA loan (2000)					
5.86% through 2024	457,527	-	50,378	407,149	53,330
OWDA loan (2005)					
4.66% through 2025	1,135,745	-	120,158	1,015,587	125,823
OWDA loan (2006)					
4.59% through 2037	1,596,402	-	50,131	1,546,271	52,459
OWDA loan (2010)					
4.59% through 2030	27,682	-	2,129	25,553	2,129
OWDA loan (2014)					
1.00% through 2034	260,495	-	10,589	249,906	14,003
OWDA loan (2015)					
1.30% through 2035	* 250,551	-	14,452	236,099	14,640
OWDA loan (2017)					
1.63% through 2038	-	93,700	-	93,700	-
Total OWDA loans	<u>4,986,354</u>	<u>295,339</u>	<u>404,404</u>	<u>4,877,289</u>	<u>426,906</u>
Total business-type activities	<u>\$ 5,241,334</u>	<u>\$ 295,339</u>	<u>\$ 423,609</u>	<u>\$ 5,113,064</u>	<u>\$ 446,111</u>

* This OWDA loan has been adjusted to include prior years' capitalize interest.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 10 – DEBT (continued)

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

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

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

Year	Governmental Activities							
	Special Assessment Bonds		OPWC loans	OWDA loans		Lorain County	Total	
	Principal	Interest	Principal	Principal	Interest	Principal	Principal	Interest
2018	\$ 5,965	\$ 845	\$ 33,156	\$ 6,932	\$ 3,186	\$ 5,000	\$ 51,053	\$ 4,031
2019	6,323	492	33,155	12,297	14,119	5,000	56,775	14,611
2020	2,046	118	19,529	18,251	8,163	5,000	44,826	8,281
2021	-	-	19,529	18,676	7,740	2,500	40,705	7,740
2022	-	-	19,529	19,109	7,306	-	38,638	7,306
2023 - 2027	-	-	97,643	102,422	29,651	-	200,065	29,651
2028 - 2032	-	-	71,722	117,846	17,168	-	189,568	17,168
2033 - 2037	-	-	24,596	75,296	6,188	-	99,892	6,188
2038 - 2042	-	-	14,605	16,041	258	-	30,646	258
2043 - 2047	-	-	8,763	-	-	-	8,763	-
	<u>\$ 14,334</u>	<u>\$ 1,455</u>	<u>\$ 342,227</u>	<u>\$ 386,870</u>	<u>\$ 93,779</u>	<u>\$ 17,500</u>	<u>\$ 760,931</u>	<u>\$ 95,234</u>

Year	Business-type Activities					
	OWDA loans		OPWC loans	Total		
	Principal	Interest	Principal	Principal	Interest	
2018	\$ 426,906	\$ 204,578	\$ 19,205	\$ 446,111	\$ 204,578	
2019	455,374	194,409	16,950	472,324	194,409	
2020	484,591	165,190	14,698	499,289	165,190	
2021	426,445	140,524	14,698	441,143	140,524	
2022	446,797	120,177	12,622	459,419	120,177	
2023 - 2027	1,246,631	352,702	51,141	1,297,772	352,702	
2028 - 2032	823,499	194,748	36,465	859,964	194,748	
2033 - 2037	549,014	55,043	29,165	578,179	55,043	
2038 - 2042	18,032	268	29,165	47,197	268	
2043 - 2047	-	-	11,666	11,666	-	
	<u>\$ 4,877,289</u>	<u>\$ 1,427,639</u>	<u>\$ 235,775</u>	<u>\$ 5,113,064</u>	<u>\$ 1,427,639</u>	

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 10 – DEBT (continued)

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

NOTE 11 – CONTINGENT LIABILITIES

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

NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS

A. SOUTH LORAIN COUNTY AMBULANCE DISTRICT

The Ambulance District is an ambulance district organized pursuant to Ohio Rev. Code Section 505.71 and is directed by an appointed seven-member Board of Trustees representing the Villages of Wellington and Brighton, Huntington, Penfield, Pittsfield, Rochester, and Wellington Townships. The Ambulance District provides emergency medical services to the residents within the Ambulance District which includes the Village. In 2017, the Village did not make any payments to the Ambulance District. Financial information can be obtained by contacting the Ambulance District at 179 East Herrick Avenue, Wellington, Ohio, 44090.

B. WELLINGTON COMMUNITY FIRE DISTRICT

The Fire District is a joint or community fire district organized pursuant to Ohio Rev. Code Section 505.371 and is directed by an appointed six-member Board of Trustees representing the Village of Wellington and Brighton, Huntington, Penfield, Pittsfield, and Wellington Townships. The Fire District provides fire protection and rescue services within the Fire District which includes the Village. In 2017, the Village did not make any payments to the Fire District. Financial information can be obtained by contacting the Fire District at 202 Kelly Street, Wellington, Ohio, 44090

C. WELLINGTON UNION CEMETERY

The Cemetery is a union cemetery organized pursuant to Ohio Rev. Code Section 759.27 and is directed by an appointed three-member Board of Trustees representing the Village of Wellington and Wellington Township. The Cemetery provides for the sale of burial lots, grave openings and closings, and the perpetual care of graves to residents of the Village and Township. The Cemetery operates and maintains the West Herrick Cemetery and Greenwood Cemetery, both located in the Village. In 2017, the Village paid \$ 26,100 to the Cemetery. Financial information can be obtained by contacting the Cemetery at 115 Willard Square, Wellington, Ohio, 44090.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS (continued)

D. WELLINGTON COMMUNITY IMPROVEMENT CORPORATION (CIC)

The Wellington CIC is a community improvement corporation organized pursuant to Ohio Rev. Code Section 1724 and is directed by a seven-member Board of Trustees which includes the Village Mayor, Council President, and Village Administrator. The Wellington CIC coordinates community development activities within the Village. In 2017, the Village did not make any payments to the Wellington CIC. Financial information can be obtained by contacting the Wellington CIC at 115 Willard Square, Wellington, Ohio, 44090.

NOTE 13 – JOINT VENTURE WITH EQUITY INTEREST

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

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

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

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

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

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

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

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 13 – JOINT VENTURE WITH EQUITY INTEREST (continued)

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

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

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

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

NOTE 14 – AMERICAN MUNICIPAL POWER GENERATING STATION PROJECT

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 7,955 kilowatts of a total 771,281 kilowatts, giving the Village a 1.03 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, payment of these costs was not made due to AMP's pursuit of legal action to void them. As a result of a March 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014, of the impaired costs is \$ 1,381,110. The Village received a credit of \$ 337,968 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$ 359,764 related to the AMPGS costs deemed to have future benefit for the project participants, leaving a net impaired cost estimate of \$ 683,378. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's payments. Since March 31, 2014 the Village has made payments of \$ 68,400 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$ 10,575 and interest expense incurred on AMP's line-of-credit of \$ 9,643, resulting in a net impaired cost estimate at December 31, 2015 of \$ 635,196.

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

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 15 – DEFINED BENEFIT PENSION PLANS

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

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

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

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

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

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

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

	State and Local	Public Safety	Law Enforcement
2017 Statutory Maximum Contribution Rates			
Employer	14.0%	18.1%	18.1%
Employee	10.0%	*	**
2017 Actual Contribution Rates			
Employer:			
Pension	13.0%	17.1%	17.1%
Post-employment Health Care Benefits	1.0%	1.0%	1.0%
Total Employer	<u>14.0%</u>	<u>18.1%</u>	<u>18.1%</u>
Employee	<u>10.0%</u>	<u>12.0%</u>	<u>13.0%</u>

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village's contractually required contribution was \$ 273,611 for year 2017

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

Plan Description - Village full-time police participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

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

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

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

	<u>Police</u>	<u>Firefighters</u>
2017 Statutory Maximum Contribution Rates		
Employer	19.50%	24.00%
Employee	12.25%	12.25%
2017 Actual Contribution Rates		
Employer:		
Pension	19.00%	23.50%
Post-employment Health Care Benefits	<u>0.50%</u>	<u>0.50%</u>
Total Employer	<u>19.50%</u>	<u>24.00%</u>
Employee	<u>12.25%</u>	<u>12.25%</u>

Employer contribution rates are expressed as a percentage of covered payroll. The Village's contractually required contribution to OPF was \$ 74,102 for 2017. The Village has no firefighters.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 16 – POSTEMPLOYMENT BENEFITS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2014 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide OPEB benefits to its eligible benefit recipients. Authority to establish and amend health care coverage is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, state and local employers contributed at a rate of 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund the OPEB Plan.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 16 – POSTEMPLOYMENT BENEFITS (continued)

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

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016, and was 1.0 percent during calendar year 2017. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2017 was 4.0 percent.

Substantially all of the Village's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts.

The Village's total contributions to OPERS for the years ending December 31, 2017, 2016, and 2015 were \$ 294,712, \$ 277,431, and \$ 273,696, respectively, of which \$ 21,051, \$ 39,633, and \$ 39,099, respectively, were allocated to the healthcare plan.

B. OHIO POLICE AND FIRE PENSION FUND

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits are codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at www.op-f.org.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 16 – POSTEMPLOYMENT BENEFITS (continued)

B. OHIO POLICE AND FIRE PENSION FUND (continued)

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24.0% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2017, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The Village's total contributions to OP&F for the years ending December 31, 2017, 2016 and 2015 were \$ 76,052, \$ 72,494, and \$ 69,487, respectively, of which \$ 1,950, \$ 1,859, and \$ 1,782, respectively, were allocated to the healthcare plan.

NOTE 17 – TAX ABATEMENT

Tax abatement was granted by the Village through the Ohio Community Reinvestment Area Program (Ohio Development Services Agency, Office of Tax Incentives) for Kalron LLC/Development 58 LLC located at 775 Shiloh Avenue, Wellington in the amount of 100% FOR 10 years on the new real property investment of \$ 900,000 (total project cost was \$ 1,500,000) in 2012. Kalron was eligible for tax abatement because they were making an investment in new real property and creating jobs. The project was expected to create 12 new jobs.

For the year ended December 31, 2017, the Village abated property taxes totaling \$ 1,732. There are no provisions for recapturing abated taxes.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 18 – INTERFUND ACTIVITY

During 2017, the General Fund transferred \$ 2,000 to the Bicentennial Fund, a non-major governmental fund. The transfer was made to use unrestricted receipts collected in the General Fund to help finance the activities accounted for in this fund in accordance with budgetary authorizations.

Interfund balances at December 31, 2017, consisted of \$ 100,000 advanced from the General Fund to the Sewer Fund to provide working capital for operations or projects. The interfund receivables/payables are expected to be repaid within one year.

NOTE 19 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued. We did not identify any new information required to be reported since the balance sheet date.

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ALGER & ASSOCIATES, Inc.
Certified Public Accountants

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Wellington, Lorain County, (the Village) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated April 08, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

**Alger and
Associates Inc**

Digitally signed by Alger and
Associates Inc
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o=Alger and Associates Inc, ou,
email=ksalger46@att.net, c=US
Date: 2019.04.19 06:58:41 -04'00'

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

April 08, 2019

OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF WELLINGTON

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 14, 2019**