



OHIO AUDITOR OF STATE
KEITH FABER



**VILLAGE OF WELLINGTON
LORAIN COUNTY
DECEMBER 31, 2022 AND 2021**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis For the Year Ended December 31, 2022.....	5
Statement of Net Position – Cash Basis December 31, 2022	15
Statement of Activities – Cash Basis For the Year Ended December 31, 2022.....	16
Statement of Cash Basis Assets and Fund Balances Governmental Funds December 31, 2022	18
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balance - Governmental Funds For the Year Ended December 31, 2022.....	19
Statement of Receipts, Disbursements and Changes in Fund Balance Budget and Actual – Budget Basis – General Fund For the Year Ended December 31, 2022.....	20
Statement of Receipts, Disbursements and Changes in Fund Balance Budget and Actual – Budget Basis – SCMR Fund For the Year Ended December 31, 2022.....	21
Statement of Fund Net Position – Cash Basis Proprietary Funds December 31, 2022	22
Statement of Receipts, Disbursements and Changes in Fund Net Position – Cash Basis – Proprietary Funds For the Year Ended December 31, 2022.....	23
Notes to the Basic Financial Statements For the Year Ended December 31, 2022	25

**VILLAGE OF WELLINGTON
LORAIN COUNTY
DECEMBER 31, 2022 AND 2021**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Management’s Discussion and Analysis For the Year Ended December 31, 2021	55
Statement of Net Position – Cash Basis December 31, 2021	65
Statement of Activities – Cash Basis For the Year Ended December 31, 2021	66
Statement of Cash Basis Assets and Fund Balances Governmental Funds December 31, 2021	68
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balance - Governmental Funds For the Year Ended December 31, 2021	69
Statement of Receipts, Disbursements and Changes in Fund Balance Budget and Actual – Budget Basis – General Fund For the Year Ended December 31, 2021	70
Statement of Receipts, Disbursements and Changes in Fund Balance Budget and Actual – Budget Basis – SCMR Fund For the Year Ended December 31, 2021	71
Statement of Fund Net Position – Cash Basis Proprietary Funds December 31, 2021	72
Statement of Receipts, Disbursements and Changes in Fund Net Position – Cash Basis – Proprietary Funds For the Year Ended December 31, 2021	73
Statement of Changes in Fiduciary Net Position – Cash Basis December 31, 2021	74
Notes to the Basic Financial Statements For the Year Ended December 31, 2021	75
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	101

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Audit of the Financial Statements

Opinions

We have audited the cash-basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Wellington, Lorain County, Ohio (the Village), as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Wellington, Lorain County, Ohio as of December 31, 2022 and 2021, and the respective changes in cash-basis financial position and the respective budgetary comparisons for the General Fund and Street Construction and Maintenance Fund for the years then ended in accordance with the cash-basis accounting basis described in Note 2.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 2, and for determining that the cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 it.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's 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.



Keith Faber
Auditor of State
Columbus, Ohio

October 23, 2023

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VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022

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, 2022, 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 2022 are as follows

The net position of governmental activities increased \$ 2,094,066 or 41.4 percent from 2021. This was the result of increases of \$ 677,172 in the General Fund, \$ 123,788 in the Street Construction and Maintenance Fund (SCMR), \$ 1,071,793 in the Capital Improvements Fund and \$ 221,313 in the Other Governmental Funds.

The Village's general receipts are primarily municipal income taxes and property and other local taxes. These receipts represented 44.2% of the total cash received for governmental activities during the year. During the year the Village issued General Obligation bonds of \$ 2,430,000, which were included in governmental activities general receipts.

The net position of business-type activities increased \$ 492,371 from 2021. Net position in the Water Fund, Sewer Fund and Electric Fund increased by \$ 319,475, \$ 103,680, and \$ 85,768 respectively. Net position in Other Enterprise Funds decreased by \$ 16,552.

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, 2022

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 2022, 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.

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.

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022

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 fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that has certain characteristics. The Village has no trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The Village's custodial fund accounts for fire insurance escrow activity. During the year, there was not an ending fund balance nor any activity in the custodial fund.

The Village as a Whole

Table 1 provides a summary of the Village's net position for 2022 compared to 2021 on a cash basis:

**Table 1
Net Position**

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets						
Equity in pooled cash	\$ 7,151,956	\$ 5,057,890	\$ 5,427,931	\$ 4,935,560	\$ 12,579,887	\$ 9,993,450
Total assets	\$ 7,151,956	\$ 5,057,890	\$ 5,427,931	\$ 4,935,560	\$ 12,579,887	\$ 9,993,450
Net position						
Restricted for:						
Capital projects	\$ 2,411,303	\$ 1,339,510	\$ -	\$ -	\$ 2,411,303	\$ 1,339,510
Debt service	123,890	132,463	-	-	123,890	132,463
Other	1,639,504	1,285,830	-	-	1,639,504	1,285,830
Unrestricted	2,977,259	2,300,087	5,427,931	4,935,560	8,405,190	7,235,647
Total net position	\$ 7,151,956	\$ 5,057,890	\$ 5,427,931	\$ 4,935,560	\$ 12,579,887	\$ 9,993,450

As mentioned previously, the net position of governmental activities increased \$ 2,094,066 or 41.4 percent during 2022.

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022

Table 2 reflects the changes in net position in 2022 compared to 2021 on a cash basis.

Table 2
Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Receipts						
Program receipts						
Charges for services	\$ 169,083	\$ 275,842	\$ 11,232,567	\$ 10,966,442	\$ 11,401,650	\$ 11,242,284
Operating grants and contributions	422,874	280,976	-	-	422,874	280,976
Capital grants and contributions	58,824	142,490	169,382	70,634	228,206	213,124
Total program receipts	<u>650,781</u>	<u>699,308</u>	<u>11,401,949</u>	<u>11,037,076</u>	<u>12,052,730</u>	<u>11,736,384</u>
General receipts						
Property and other local taxes	704,472	671,082	-	-	704,472	671,082
Municipal income taxes	2,708,344	2,458,810	-	-	2,708,344	2,458,810
Grants and entitlements	390,558	534,673	-	-	390,558	534,673
Loan proceeds	-	-	317,810	1,430,191	317,810	1,430,191
Bond proceeds	2,430,000	-	-	-	2,430,000	-
Proceeds from sale of capital assets	28,602	17,069	-	-	28,602	17,069
Interest	67,623	18,028	94	5	67,717	18,033
Other	744,595	595,108	-	-	744,595	595,108
Advances	-	25,000	-	(25,000)	-	-
General receipts and advances	<u>7,074,194</u>	<u>4,319,770</u>	<u>317,904</u>	<u>1,405,196</u>	<u>7,392,098</u>	<u>5,724,966</u>
Total receipts	<u>\$ 7,724,975</u>	<u>\$ 5,019,078</u>	<u>\$ 11,719,853</u>	<u>\$ 12,442,272</u>	<u>\$ 19,444,828</u>	<u>\$ 17,461,350</u>

(continued on next page)

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022

Table 2
Change in Net Position
(Concluded)

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Program cash disbursements						
General government	\$ 968,451	\$ 886,686	\$ -	\$ -	\$ 968,451	\$ 886,686
Security of persons and property	1,612,536	1,631,117	-	-	1,612,536	1,631,117
Public health services	43,797	46,635	-	-	43,797	46,635
Leisure time activities	123,239	90,737	-	-	123,239	90,737
Community environment	125,327	181,654	-	-	125,327	181,654
Transportation	757,241	934,396	-	-	757,241	934,396
Capital outlay	1,625,300	452,199	-	-	1,625,300	452,199
Principal	268,332	43,253	-	-	268,332	43,253
Interest and fiscal charges	106,686	6,896	-	-	106,686	6,896
Water	-	-	1,340,216	2,312,313	1,340,216	2,312,313
Sewer	-	-	1,340,059	1,277,575	1,340,059	1,277,575
Electric	-	-	8,119,977	8,281,007	8,119,977	8,281,007
Refuse	-	-	385,044	367,119	385,044	367,119
Other	-	-	42,186	36,206	42,186	36,206
Total program cash disbursements	<u>5,630,909</u>	<u>4,273,573</u>	<u>11,227,482</u>	<u>12,274,220</u>	<u>16,858,391</u>	<u>16,547,793</u>
Increase in net position	2,094,066	745,505	492,371	168,052	2,586,437	913,557
Net position, at beginning of year	<u>5,057,890</u>	<u>4,312,385</u>	<u>4,935,560</u>	<u>4,767,508</u>	<u>9,993,450</u>	<u>9,079,893</u>
Net position, at end of year	<u>\$ 7,151,956</u>	<u>\$ 5,057,890</u>	<u>\$ 5,427,931</u>	<u>\$ 4,935,560</u>	<u>\$ 12,579,887</u>	<u>\$ 9,993,450</u>

Governmental Activities

Program receipts represent 8.5 percent of total receipts and are comprised of charges for services, operating and capital grants and contributions.

General receipts represent 91.5 percent of the Village's total receipts of governmental activities, and of this amount, 48.3 percent are municipal income taxes and property and other local taxes. Bond proceeds in 2022 represented 34.4 percent of general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for general government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, the finance 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, 2022

If you look at the Statement of Activities – Cash Basis on page 16, 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 28.6 percent, 13.4 percent, 17.2 percent, and 28.8 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	\$ 968,451	\$ 557,309
Security of persons and property	1,612,536	1,596,631
Public health services	43,797	37,488
Leisure time activities	123,239	(16,541)
Community environment	125,327	106,506
Transportation	757,241	698,417
Capital outlay	1,625,300	1,625,300
Principal	268,332	268,332
Interest and fiscal charges	106,686	106,686
Total governmental activities	\$ 5,630,909	\$ 4,980,128

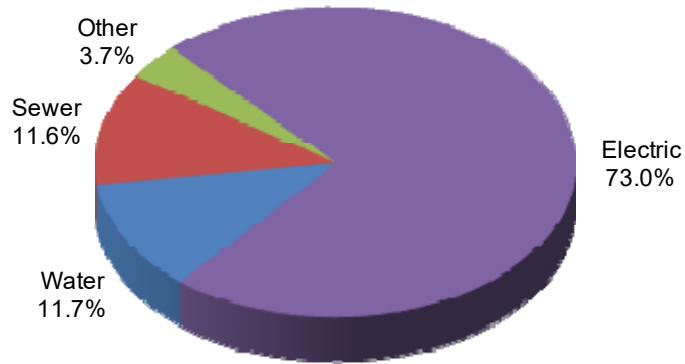
The dependence upon property and income tax receipts is apparent as 60.6 percent of governmental activities are supported through these general receipts.

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022

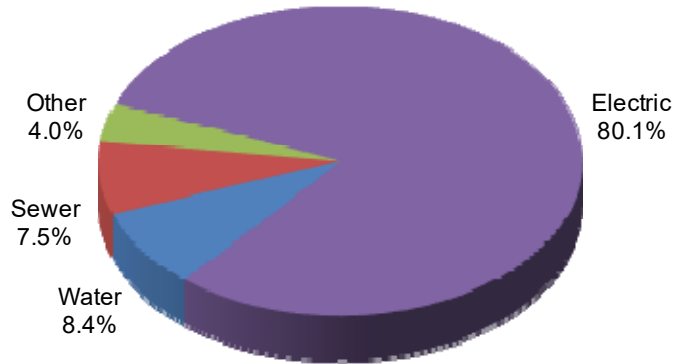
Business-type Activities

Charges for services is the primary source of receipts for the business-type activities. Program cash receipts were \$ 364,873 higher in 2022.

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, 2022

The Village's Funds

Total governmental funds had receipts of \$ 5,266,373 and disbursements of \$ 5,630,909. Net other financing sources (uses) totaled \$ 2,458,602. The fund balances of the General Fund, SCMR Fund, Capital Improvements Fund and Other Governmental Funds changed by \$ 677,172, \$ 123,788, \$ 1,071,793 and \$ 221,313, 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 2022, the Village amended its General Fund budget to reflect changing circumstances. Final budgeted receipts were \$ 125,747 higher than original budgeted receipts. Actual receipts were greater than the final budgeted amount by \$ 275,171. Original and final disbursements were budgeted at \$ 3,729,467 and \$ 3,755,967, respectively. Actual disbursements were \$ 391,553 less than the final budgeted amount.

During 2022, the Village did not amend its SCMR Fund budget. Original and final budgeted receipts were \$ 232,100. Actual receipts were greater than the final budgeted amount by \$ 43,107. Original and final budgeted disbursements were \$ 224,926. Actual disbursements were \$ 13,144 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:

	Total	
	2022	Restated 2021
Leases payable	\$ 47,206	\$ 119,424
OWDA loans	3,722,400	3,897,249
OPWC loans	646,304	690,676
General obligation bonds	2,275,000	-
	\$ 6,690,910	\$ 4,707,349

Lease payables are financed purchases of vehicles and equipment. The OWDA loans relate to water, sewer and storm sewer projects. OPWC loans financed street and waterline improvements and replacements. The general obligation bonds were for renovations to the police station. 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, 2022

Current Issues

Water Treatment Plant (WTP) Fire

In late September, 2022, the WTP experienced a fire, which destroyed the offices of the plant. The operation room and control room survived and were able to resume functionality within 12 hours of the event. The site cleanup and insurance claim is ongoing, and will continue through much of 2023. We anticipate full coverage of the damage and reconstruction.

American Rescue Plan Act 2021 – Final Distribution and Allocation

The Village received the 2nd half of the Coronavirus State and Local Fiscal Recovery Funds program in the amount of \$ 257,269. The funds were appropriated pursuant to Council action in accordance with the distribution requirements of the U.S. Treasury Final Rule for the State and Local Fiscal Recovery Fund (SLFRF) program.

Police Station Facility Relocation Project

The Village hired a general contractor for the construction of the Police Station in the first quarter of 2022. The construction continued throughout the duration of 2022. The project has an estimated completion date of August 2023. Bonds were issued in the second quarter of 2022 in order to finance the project. Payments on the bond retirement began in December 2022.

Water Treatment Plant VFD Updates

The Village WTP VFD's were delayed ten months due to supply chain disruptions. Three of the four VFD's were installed in December, with the final VFD on reorder for spring 2023 due to a supplier error.

Ground Storage Tank

Construction completed in the fourth quarter of 2021, except for several post-construction project requirements, which could not be completed until a proximal line abandonment project was completed. This project commenced and was completed in the second and third quarter of 2022. After this ancillary project was completed, the Ground Storage Tank project was finalized. This project greatly enhanced the water storage capacity of the Village.

WWTP UV System Update

The WWTP UV System Update is progressing according to schedule. The old UV equipment was disassembled and removed when the system shut down on November 1. The new system was constructed in the fourth quarter of 2022, and will be installed in January, 2023. The new equipment will be brought online by May 1. The water disinfection capacity of the plant is greatly enhanced from this project.

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 Pfeiffer, Finance Director, Village of Wellington, 115 Willard Memorial Square, Wellington, Ohio 44090.

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VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
STATEMENT OF NET POSITION – CASH BASIS
DECEMBER 31, 2022

	Governmental Activities	Business-type Activities	Total
Assets			
Equity in pooled cash	\$ 7,151,956	\$ 5,427,931	\$ 12,579,887
Total assets	<u>\$ 7,151,956</u>	<u>\$ 5,427,931</u>	<u>\$ 12,579,887</u>
Net position			
Restricted for:			
Capital projects	\$ 2,411,303	\$ -	\$ 2,411,303
Debt service	123,890	-	123,890
Highways and streets	1,024,941	-	1,024,941
Security of persons and property	174,695	-	174,695
Other	439,868	-	439,868
Unrestricted	2,977,259	5,427,931	8,405,190
Total net position	<u>\$ 7,151,956</u>	<u>\$ 5,427,931</u>	<u>\$ 12,579,887</u>

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
STATEMENT OF ACTIVITIES – CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Cash Disbursements	Program Cash Receipts		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Current				
General government	\$ 968,451	\$ 151,769	\$ 259,373	\$ -
Security of persons and property	1,612,536	10,338	5,567	-
Public health services	43,797	1,403	4,906	-
Leisure time activities	123,239	5,573	134,207	-
Community environment	125,327	-	18,821	-
Transportation	757,241	-	-	58,824
Capital outlay	1,625,300	-	-	-
Debt service				
Principal	268,332	-	-	-
Interest and fiscal charges	106,686	-	-	-
Total governmental activities	<u>5,630,909</u>	<u>169,083</u>	<u>422,874</u>	<u>58,824</u>
Business-type activities				
Water	1,340,216	1,315,833	-	82,531
Sewer	1,340,059	1,300,405	-	86,851
Electric	8,119,977	8,205,745	-	-
Refuse	385,044	399,459	-	-
Other	42,186	11,125	-	-
Total business-type activities	<u>11,227,482</u>	<u>11,232,567</u>	<u>-</u>	<u>169,382</u>
Total	<u>\$ 16,858,391</u>	<u>\$ 11,401,650</u>	<u>\$ 422,874</u>	<u>\$ 228,206</u>

General receipts
 Property taxes levied for:
 General purposes
 Municipal income taxes
 Grants and entitlements not restricted to specific programs
 Loan proceeds
 Bond proceeds
 Proceeds from sale of capital assets
 Interest
 Other
 Total general receipts 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
\$ (557,309)	\$ -	\$ (557,309)
(1,596,631)	-	(1,596,631)
(37,488)	-	(37,488)
16,541	-	16,541
(106,506)	-	(106,506)
(698,417)	-	(698,417)
(1,625,300)	-	(1,625,300)
(268,332)	-	(268,332)
(106,686)	-	(106,686)
<u>(4,980,128)</u>	<u>-</u>	<u>(4,980,128)</u>
-	58,148	58,148
-	47,197	47,197
-	85,768	85,768
-	14,415	14,415
-	(31,061)	(31,061)
-	174,467	174,467
<u>(4,980,128)</u>	<u>174,467</u>	<u>(4,805,661)</u>
704,472	-	704,472
2,708,344	-	2,708,344
390,558	-	390,558
-	317,810	317,810
2,430,000	-	2,430,000
28,602	-	28,602
67,623	94	67,717
744,595	-	744,595
<u>7,074,194</u>	<u>317,904</u>	<u>7,392,098</u>
2,094,066	492,371	2,586,437
5,057,890	4,935,560	9,993,450
<u>\$ 7,151,956</u>	<u>\$ 5,427,931</u>	<u>\$ 12,579,887</u>

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES -
GOVERNMENTAL FUNDS
DECEMBER 31, 2022

	<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	\$ 2,977,259	\$ 736,464	\$ 2,411,303	\$ 1,026,930	\$ 7,151,956
Total assets	<u>\$ 2,977,259</u>	<u>\$ 736,464</u>	<u>\$ 2,411,303</u>	<u>\$ 1,026,930</u>	<u>\$ 7,151,956</u>
Fund balances					
Restricted	\$ -	\$ 736,464	\$ 2,411,303	\$ 1,026,930	\$ 4,174,697
Assigned	104,891	-	-	-	104,891
Unassigned	2,872,368	-	-	-	2,872,368
Total fund balances	<u>\$ 2,977,259</u>	<u>\$ 736,464</u>	<u>\$ 2,411,303</u>	<u>\$ 1,026,930</u>	<u>\$ 7,151,956</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, 2022

	General Fund	SCMR Fund	Capital Improvements Fund	Other Governmental Funds	Governmental Funds
Receipts					
Property and other taxes	\$ 643,092	\$ -	\$ -	\$ 61,380	\$ 704,472
Municipal income tax	2,433,344	-	275,000	-	2,708,344
Special assessments	-	1,055	38,907	18,862	58,824
Charges for services	621,669	-	-	-	621,669
Fines, licenses and permits	35,755	-	-	-	35,755
Intergovernmental	242,596	265,771	-	363,889	872,256
Interest	56,081	10,540	-	1,002	67,623
Contributions and donations	9,185	-	-	50	9,235
Miscellaneous	186,792	-	-	1,403	188,195
Total receipts	4,228,514	277,366	313,907	446,586	5,266,373
Disbursements					
Current					
General government	881,858	-	-	86,593	968,451
Security of persons and property	1,559,200	-	-	53,336	1,612,536
Public health services	7,530	-	-	36,267	43,797
Leisure time activities	123,239	-	-	-	123,239
Community environment	125,255	-	-	72	125,327
Transportation	655,903	59,568	-	41,770	757,241
Capital outlay	-	75,000	1,550,300	-	1,625,300
Debt service					
Principal	-	15,891	72,218	180,223	268,332
Interest and fiscal charges	-	3,119	56,798	46,769	106,686
Total disbursements	3,352,985	153,578	1,679,316	445,030	5,630,909
Excess of receipts over (under) disbursements	875,529	123,788	(1,365,409)	1,556	(364,536)
Other financing sources (uses)					
Bond proceeds	-	-	2,428,800	1,200	2,430,000
Proceeds from sale of capital assets	-	-	8,402	20,200	28,602
Transfers in	-	-	-	198,357	198,357
Transfer out	(198,357)	-	-	-	(198,357)
Total other financing sources	(198,357)	-	2,437,202	219,757	2,458,602
Net change in fund balances	677,172	123,788	1,071,793	221,313	2,094,066
Fund balances at beginning of year	2,300,087	612,676	1,339,510	805,617	5,057,890
Fund balances at end of year	\$ 2,977,259	\$ 736,464	\$ 2,411,303	\$ 1,026,930	\$ 7,151,956

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, 2022

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and other taxes	\$ 690,574	\$ 690,574	\$ 643,092	\$ (47,482)
Municipal income tax	2,125,000	2,125,000	2,433,344	308,344
Charges for services	609,320	609,320	616,096	6,776
Fines, licenses and permits	102,000	102,000	35,755	(66,245)
Intergovernmental	196,799	196,799	242,596	45,797
Interest	15,000	15,000	46,583	31,583
Contributions and donations	6,000	6,000	9,185	3,185
Miscellaneous	45,600	171,347	164,560	(6,787)
Total receipts	3,790,293	3,916,040	4,191,211	275,171
Disbursements				
Current				
General government	950,054	950,054	894,768	55,286
Security of persons and property	1,663,218	1,689,718	1,559,380	130,338
Public health services	5,500	5,500	7,530	(2,030)
Leisure time activities	113,655	113,655	111,364	2,291
Community environment	230,649	230,649	125,380	105,269
Transportation	766,391	766,391	665,992	100,399
Total disbursements	3,729,467	3,755,967	3,364,414	391,553
Excess of receipts over (under) disbursements	60,826	160,073	826,797	666,724
Other financing sources (uses)				
Transfer out	-	-	(198,357)	(198,357)
Total other financing sources	-	-	(198,357)	(198,357)
Net change in fund balances	60,826	160,073	628,440	468,367
Prior year encumbrances appropriated	35,967	35,967	35,967	-
Fund balances at beginning of year	2,198,463	2,198,463	2,198,463	-
Fund balances at end of year	\$ 2,295,256	\$ 2,394,503	\$ 2,862,870	\$ 468,367

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY

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

FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Special assessments	\$ 1,100	\$ 1,100	\$ 1,055	\$ (45)
Intergovernmental	230,000	230,000	265,771	35,771
Interest	1,000	1,000	8,381	7,381
Total receipts	<u>232,100</u>	<u>232,100</u>	<u>275,207</u>	<u>43,107</u>
Disbursements				
Current				
Transportation	85,000	85,000	73,772	11,228
Capital outlay	119,926	119,926	119,000	926
Debt service				
Principal	16,000	16,000	15,891	109
Interest and fiscal charges	4,000	4,000	3,119	881
Total disbursements	<u>224,926</u>	<u>224,926</u>	<u>211,782</u>	<u>13,144</u>
Net change in fund balances	7,174	7,174	63,425	56,251
Prior year encumbrances appropriated	1,026	1,026	1,026	-
Fund balances at beginning of year	<u>611,650</u>	<u>611,650</u>	<u>611,650</u>	<u>-</u>
Fund balances at end of year	<u>\$ 619,850</u>	<u>\$ 619,850</u>	<u>\$ 676,101</u>	<u>\$ 56,251</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, 2022

	<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	\$ 819,219	\$ 678,892	\$ 3,560,673	369,147	\$ 5,427,931
Total assets	<u>\$ 819,219</u>	<u>\$ 678,892</u>	<u>\$ 3,560,673</u>	<u>\$ 369,147</u>	<u>\$ 5,427,931</u>
Net position					
Unrestricted	\$ 819,219	\$ 678,892	\$ 3,560,673	\$ 369,147	\$ 5,427,931
Total net position	<u>\$ 819,219</u>	<u>\$ 678,892</u>	<u>\$ 3,560,673</u>	<u>\$ 369,147</u>	<u>\$ 5,427,931</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, 2022

	Water Fund	Sewer Fund	Electric Fund	Other Enterprise Funds	Total Enterprise Funds
Receipts					
Charges for services	\$ 1,049,929	\$ 1,290,076	\$ 8,114,893	410,584	\$ 10,865,482
Interest	-	-	-	94	94
Miscellaneous	265,904	10,329	90,852	-	367,085
Total receipts	1,315,833	1,300,405	8,205,745	410,678	11,232,661
Operating disbursements					
Personal services	510,380	500,794	730,858	-	1,742,032
Travel transportation	-	1,945	11,431	-	13,376
Contractual services	44,329	43,625	6,712,495	381,398	7,181,847
Materials and supplies	293,223	206,560	628,050	23,647	1,151,480
Total operating disbursements	847,932	752,924	8,082,834	405,045	10,088,735
Operating income	467,901	547,481	122,911	5,633	1,143,926
Non-operating receipts (disbursements)					
Loan proceeds	261,327	56,483	-	-	317,810
Intergovernmental	75,749	78,496	-	-	154,245
Special assessments	782	4,355	-	-	5,137
Capital outlay	(332,038)	(150,163)	(37,143)	(22,185)	(541,529)
Principal paid	(105,922)	(389,365)	-	-	(495,287)
Interest and fiscal charges	(54,324)	(47,607)	-	-	(101,931)
Total non-operating receipts (disbursements)	(154,426)	(447,801)	(37,143)	(22,185)	(661,555)
Income (loss) before contributions	313,475	99,680	85,768	(16,552)	482,371
Capital contributions - tap fees	6,000	4,000	-	-	10,000
Change in net position	319,475	103,680	85,768	(16,552)	492,371
Net position at beginning of year	499,744	575,212	3,474,905	385,699	4,935,560
Net position at end of year	\$ 819,219	\$ 678,892	\$ 3,560,673	\$ 369,147	\$ 5,427,931

See accompanying notes to the basic financial statements.

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VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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.

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, 2022

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.

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.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. FUND ACCOUNTING (continued)

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 - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that has certain characteristics. The Village has no trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The Village's custodial fund accounts for fire insurance escrow activity. During the year, there was not an ending fund balance nor any activity in the custodial fund.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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 custodial 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 \$ 56,081 which included \$ 40,457 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, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. CASH AND INVESTMENTS (continued)

During 2022, the Village invested in STAR Ohio.

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 2022, 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 \$ 100 million or more. STAR Ohio reserves the right to limit the transaction to \$ 250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$ 250 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.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. EMPLOYER CONTRIBUTIONS TO COST-SHARING PENSION PLANS

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

L. LONG-TERM OBLIGATIONS

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

M. LEASES

The Village is the lessee in leases related to vehicles under noncancelable leases. Lease payables are not reflected under the Village's cash basis of accounting. Lease disbursements are recognized when they are paid.

N. 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, 2022, restricted net position amounted to \$ 4,174,697, none of which was restricted by enabling legislation.

O. 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.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. FUND BALANCE (continued)

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.

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.

P. 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.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2022, the Village has implemented GASB Statement No. 87, “Leases”, GASB Implementation Guide 2019-3, “Leases”, GASB Implementation Guide 2020-1, “Implementation Guide Update - 2020”, GASB Statement No. 91 “Conduit Debt, GASB Statement No. 92, “Omnibus 2020”, GASB Statement No. 93, “Replacement of Interbank Offered Rates”, GASB Statement No. 97, “Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32” and certain paragraphs of GASB Statement No. 99, “Omnibus 2022”.

GASB Statement No. 87 and GASB Implementation Guide 2019-3 enhance the relevance and consistency of information of the government’s leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The implementation of GASB Statement No. 87 had no effect on beginning fund balance/net position. The outstanding balance at December 31, 2021 in Note 10 has been restated to include the outstanding balance of leases. Refer to the Summary of Significant Accounting Policies and Debt footnote for disclosures on the Village’s lease activity.

GASB Implementation Guide 2020-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2020-1 did not have an effect on the financial statements of the Village.

GASB Statement No. 91 clarifies the definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The implementation of GASB Statement No. 91 did not have an effect on the financial statements of the Village.

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 did not have an effect on the financial statements of the Village.

GASB Statement No. 93 establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The implementation of GASB Statement No. 93 did not have an effect on the financial statements of the Village. voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES (continued)

GASB Statement No. 97 is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of GASB Statement No. 97 did not have an effect on the financial statements of the Village.

GASB Statement No. 99 to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of GASB Statement No. 99 did not have an effect on the financial statements of the Village.

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	\$ 628,440	\$ 63,425
Adjustments .		
Encumbrances	24,104	58,204
Funds budgeted elsewhere **	15,130	-
Interest income	9,498	2,159
Cash basis, as reported	\$ 677,172	\$ 123,788

** 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.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 5 – FUND BALANCES

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

	General Fund	SCMR Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
Fund balances					
Restricted					
Capital projects	\$ -	\$ -	\$ 2,411,303	\$ -	\$ 2,411,303
Debt service	-	-	-	123,890	123,890
Highways and streets	-	736,464	-	288,477	1,024,941
Security of persons and property	-	-	-	174,695	174,695
Other	-	-	-	439,868	439,868
	<u>-</u>	<u>736,464</u>	<u>2,411,303</u>	<u>1,026,930</u>	<u>4,174,697</u>
Assigned					
Recreation	46,490	-	-	-	46,490
Encumbrances	24,104	-	-	-	24,104
Railroad grade crossing improvement	7,065	-	-	-	7,065
Unclaimed monies	22,232	-	-	-	22,232
Other	5,000	-	-	-	5,000
	<u>104,891</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,891</u>
Unassigned	2,872,368	-	-	-	2,872,368
Total fund balances	<u>\$ 2,977,259</u>	<u>\$ 736,464</u>	<u>\$ 2,411,303</u>	<u>\$ 1,026,930</u>	<u>\$ 7,151,956</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.

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.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

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 and Commercial Paper notes (For a period not to exceed 270 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.

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.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

B. DEPOSITS

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying amount of all Village deposits was \$ 9,240,133 and the bank balance of all Village deposit was \$ 9,494,431. Of the bank balance, \$ 1,274,893 was covered by the FDIC and \$ 8,219,538 was potentially exposed to custodial credit risk discussed below because those deposits were uninsured and could be 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 50 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, 2022, the Village had the following investments:

	Measurement Value	Maturity
STAR Ohio	\$ 3,339,354	31.9 days

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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, 2022:

	Percentage of Investments
STAR Ohio	100.0%

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.

NOTE 7 - INCOME TAXES

The Village levies a 1.75 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.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 8 – PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2022 for real and public utility property taxes represents collections of 2021 taxes.

2021 real property taxes are levied after October 1, 2022, on the assessed value as of January 1, 2022, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2022 real property taxes are collected in and intended to finance 2023. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2022 public utility property taxes which became a lien December 31, 2021 are levied after October 1, 2022, and are collected in 2023 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2022, was \$ 4.10 per \$ 1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2022 property tax receipts were based are as follows:

	2022 Collection Year
Property valuation consisted of:	
Real property	\$ 111,966,050
Public utility property	3,055,130
Total valuation	\$ 115,021,180

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.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 10 – DEBT

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

	Restated Outstanding 12/31/21	Additions	Reductions	Outstanding 12/31/22	Due In One Year
Leases payable - financed purchases	\$ 119,424	\$ -	\$ 72,218	\$ 47,206	\$ 27,568
OWDA loans					
2.13% - 6.87% through 2051	3,897,249	317,180	492,029	3,722,400	524,105
OPWC loans					
0% through 2051	690,676	-	44,372	646,304	42,298
General obligation bonds					
2.48% through 2036	-	2,430,000	155,000	2,275,000	130,000
	<u>\$ 4,707,349</u>	<u>\$ 2,747,180</u>	<u>\$ 763,619</u>	<u>\$ 6,690,910</u>	<u>\$ 723,971</u>

The Village has entered into lease-purchase agreements for police department equipment and vehicles. 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. With the exception of the special assessment debt, all principal and interest payments are funded through utility user charges.

On April 14, 2022, the Village issued \$ 2,430,000 in general obligation serial bonds for the purpose of renovations to the police station. The general obligation bonds are supported by the full faith and credit of the Village of Wellington and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

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

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 10 – DEBT (continued)

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

Year	Lease - purchase		OWDA loans	
	Principal	Interest	Principal	Interest
2023	\$ 27,568	\$ 1,104	\$ 524,105	\$ 106,611
2024	9,819	-	408,242	82,932
2025	9,819	-	211,423	69,693
2026	-	-	193,321	64,317
2027	-	-	198,565	59,072
2028 - 2032	-	-	1,072,388	209,426
2033 - 2037	-	-	821,209	58,329
2038 - 2042	-	-	132,495	-
2043- 2047	-	-	132,495	-
2048 - 2052	-	-	28,157	-
	<u>\$ 47,206</u>	<u>\$ 1,104</u>	<u>\$ 3,722,400</u>	<u>\$ 650,380</u>

Year	OPWC loans	G. O. Bonds payable		Total	
	Principal	Principal	Interest	Principal	Interest
2023	\$ 42,298	\$ 130,000	\$ 56,420	\$ 723,971	\$ 164,135
2024	42,298	135,000	53,196	595,359	136,128
2025	42,298	140,000	49,848	403,540	119,541
2026	41,763	140,000	46,376	375,084	110,693
2027	41,232	145,000	42,904	384,797	101,976
2028 - 2032	169,292	820,000	157,356	2,061,680	366,782
2033 - 2037	114,866	765,000	48,236	1,701,075	106,565
2038 - 2042	79,322	-	-	211,817	-
2043- 2047	49,599	-	-	182,094	-
2048 - 2052	23,336	-	-	51,493	-
	<u>\$ 646,304</u>	<u>\$ 2,275,000</u>	<u>\$ 454,336</u>	<u>\$ 6,690,910</u>	<u>\$ 1,105,820</u>

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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 2022, 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 2022, 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 2022, the Village paid \$ 36,267 to the Cemetery. Financial information can be obtained by contacting the Cemetery at 115 Willard Square, Wellington, Ohio, 44090.

D. WELLINGTON COMMUNITY IMPROVEMENT CORPORATION (CIC)

The Wellington CIC is a community improvement corporation organized pursuant to Ohio Rev. Code Section 1724 and is directed by a seven-member Board of Trustees which includes the Village Mayor, Council President, and Village Administrator. The Wellington CIC coordinates community development activities within the Village. In 2022, the Village did not make any payments to the Wellington CIC. Financial information can be obtained by contacting the Wellington CIC at 115 Willard Square, Wellington, Ohio, 44090.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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, 2022 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.

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, 2021 (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.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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.

Since March 31, 2014 the Village has made payments of \$ 437,593 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 \$17,149 and interest expense incurred on AMP's line-of-credit of \$ 75,580, resulting in a net impaired cost estimate at December 31, 2022 of \$ 338,514. The Village does have a potential PHFU Liability of \$ 418,971 resulting in a net total potential liability of \$ 757,485, 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.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 15 – DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

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 is a cost-sharing, multiple employer public employee retirement system which 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 Annual Comprehensive Annual Report 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, 2022

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

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

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

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. The amount of a member's pension benefit vests upon receipt of the initial benefit payment. The options for Public Safety and Law Enforcement permit early retirement under qualifying circumstances as early as age 48 with a reduced benefit.

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost of living adjustment is 3 percent. For those retiring on or after January 7, 2013, beginning in calendar year 2019, the adjustment is based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options and will continue to be administered by OPERS), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

Effective January 1, 2022, the Combined Plan is no longer available for member selection.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

	State and Local	Public Safety	Law Enforcement
2022 Statutory Maximum Contribution Rates			
Employer	14.0%	18.1%	18.1%
Employee *	10.0%	**	***
2022 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>

- * Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.
- ** 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.
- **** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated to 4 percent for health care with the remainder going to pension.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village's contractually required contribution was \$ 338,216 for 2022.

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, 2022

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 Annual Comprehensive Financial Report 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 OP&F 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 under optional plans, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

The COLA amount for members who have 15 or more years of service credit as of July 1, 2013, and members who are receiving a pension benefit that became effective before July 1, 2013, will be equal to 3.0 percent of the member's base pension benefit. The COLA amount for members who have less than 15 years of service credit as of July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3.0 percent or the percentage increase in the consumer price index, if any, over the twelve-month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent. Members who retired prior to July 24, 1986, or their surviving beneficiaries under optional plans are entitled to cost-of-living allowance increases. The annual increase is paid on July 1st of each year. The annual COLA increase is \$ 360 under a Single Life Annuity Plan with proportional reductions for optional payment plans.

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

	Police	Firefighters
2022 Statutory Maximum Contribution Rates		
Employer	19.50%	24.00%
Employee	12.25%	12.25%
2022 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 \$ 108,504 for 2022. The Village has no firefighters.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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 postemployment 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. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS. For those retiring on or after January 1, 2015, the allowance has been determined by applying a percentage to the base allowance. The percentage applied is based on years of qualifying service credit and age when the retiree first enrolled in OPERS health care. Monthly allowances range between 51 percent and 90 percent of the base allowance. Those who retired prior to January 1, 2015, will have an allowance of at least 75 percent of the base allowance.

The health care 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 separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 16 – POSTEMPLOYMENT BENEFITS (continued)

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

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 with a minimum age of 60. Members in Group A are eligible for coverage at any age with 30 or more years of qualifying service. Members in Group B are eligible at any age with 32 years of qualifying service, or at age 52 with 31 years of qualifying service. Members in Group C are eligible for coverage with 32 years of qualifying service and a minimum age of 55. Current retirees eligible (or who became eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. 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' Annual Comprehensive Financial Report 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. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2022, 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.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2022, 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 2022 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. For 2022, OPERS did not allocate any employer contributions to post-employment health care.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 16 – POSTEMPLOYMENT BENEFITS (continued)

B. OHIO POLICE AND FIRE PENSION FUND

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment health care 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. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

OP&F contracted with a vendor who assists eligible retirees in choosing health care plans that are available where they live (both Medicare-eligible and pre-65 populations). A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses.

Regardless of a benefit recipient's participation in the health care program, OP&F is required by law to pay eligible recipients of a service pension, disability benefit and spousal survivor benefit for their Medicare Part B insurance premium, up to the statutory maximum provided the benefit recipient is not eligible to receive reimbursement from any other source. Once OP&F receives the necessary documentation, a monthly reimbursement is included as part of the recipient's next benefit payment. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

OP&F maintains funds for health care in two separate accounts: 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. IRS Code Section 401(h) account is maintained for Medicare Part B reimbursements.

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 is 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. The report may be obtained by visiting the OP&F 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.

Funding Policy – 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 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.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 16 – POSTEMPLOYMENT BENEFITS (continued)

B. OHIO POLICE AND FIRE PENSION FUND (continued)

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2022, 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.

The OP&F 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 contractually required contribution to OP&F was \$ 2,855 for 2022.

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 has created 24 new jobs. For the year ended December 31, 2022 the Village abated property taxes totaling \$ 1,873. There are no provisions for recapturing abated taxes.

Tax abatement was granted by the Village through the Ohio Community Reinvestment Area Program (Ohio Development Services Agency, Office of Tax Incentives) for Dickason Enterprises (aka U.S. Screen) located at 745 Industrial Avenue, Wellington in the amount of 100% for 10 years on the new real property investment of \$ 686,000 (total project cost was \$ 950,000) in 2021. Dickason Enterprises was eligible for tax abatement because they were making an investment in new real property and creating jobs. The project was expected to create 15 new jobs. For the year ended December 31, 2022, the Village abated property taxes totaling \$ 1,013. There are no provisions for recapturing abated taxes.

NOTE 18 – INTERFUND ACTIVITY

Interfund transfers at December 31, 2022, consisted of \$ 198,357 transferred from the General Fund to the Bond Fund.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 19 – CONTRACTUAL COMMITMENTS

At December 31, 2022 the Village had contractual comments of:

	Contract Amount	Amount Paid	Balance Remaining on Contract
Police station remodeling	\$ 2,430,000	\$ 1,660,072	\$ 769,928
Waste water UV Project	743,511	103,982	639,529
West Street Project	1,753,738	5,836	1,747,902
	<u>\$ 4,927,249</u>	<u>\$ 1,769,890</u>	<u>\$ 3,157,359</u>

NOTE 20 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2022 while the national state of emergency continues. During 2022, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021, 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 2021 are as follows

The net position of governmental activities increased \$ 745,505 or 17.3 percent from 2020. This was the result of increases of \$ 470,056 in the General Fund, \$ 11,859 in the Street Construction and Maintenance Fund (SCMR), \$ 42,727 in the Capital Improvements Fund and \$ 220,863 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 49.0 percent and 13.4 percent of the total cash received for governmental activities during the year.

The net position of business-type activities increased \$ 168,052 from 2020. Net position in the Water Fund, Electric Fund and Other Enterprise Funds increased by \$ 138,910, \$ 22,897, and \$ 12,440 respectively. Net position in the Sewer Fund decreased by \$ 6,195.

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, 2021

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 2021, 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.

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.

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

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 fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that has certain characteristics. The Village has no trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The Village's custodial fund accounts for fire insurance escrow activity.

The Village as a Whole

Table 1 provides a summary of the Village's net position for 2021 compared to 2020 on a cash basis:

**Table 1
Net Position**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets						
Equity in pooled cash	\$ 5,057,890	\$ 4,312,385	\$ 4,935,560	\$ 4,767,508	\$ 9,993,450	\$ 9,079,893
Total assets	<u>\$ 5,057,890</u>	<u>\$ 4,312,385</u>	<u>\$ 4,935,560</u>	<u>\$ 4,767,508</u>	<u>\$ 9,993,450</u>	<u>\$ 9,079,893</u>
Net position						
Restricted for:						
Capital projects	\$ 1,339,510	\$ 1,296,783	\$ -	\$ -	\$ 1,339,510	\$ 1,296,783
Debt service	132,463	144,968	-	-	132,463	144,968
Other	1,285,830	1,040,603	-	-	1,285,830	1,040,603
Unrestricted	<u>2,300,087</u>	<u>1,830,031</u>	<u>4,935,560</u>	<u>4,767,508</u>	<u>7,235,647</u>	<u>6,597,539</u>
Total net position	<u>\$ 5,057,890</u>	<u>\$ 4,312,385</u>	<u>\$ 4,935,560</u>	<u>\$ 4,767,508</u>	<u>\$ 9,993,450</u>	<u>\$ 9,079,893</u>

As mentioned previously, the net position of governmental activities increased \$ 745,505 or 17.3 percent during 2021.

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Table 2 reflects the changes in net position in 2021 compared to 2020 on a cash basis.

Table 2
Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Receipts						
Program receipts						
Charges for services	\$ 275,842	\$ 349,347	\$ 10,966,442	\$ 10,812,295	\$ 11,242,284	\$ 11,161,642
Operating grants and contributions	280,976	362,437	-	-	280,976	362,437
Capital grants and contributions	142,490	66,860	70,634	55,937	213,124	122,797
Total program receipts	699,308	778,644	11,037,076	10,868,232	11,736,384	11,646,876
General receipts						
Property and other local taxes	671,082	640,739	-	-	671,082	640,739
Municipal income taxes	2,458,810	2,240,929	-	-	2,458,810	2,240,929
Grants and entitlements	534,673	618,976	-	-	534,673	618,976
Loan proceeds	-	-	1,430,191	-	1,430,191	-
Proceeds from sale of capital assets	17,069	-	-	-	17,069	-
Interest	18,028	67,734	5	59	18,033	67,793
Other	595,108	298,382	-	-	595,108	298,382
Advances	25,000	25,000	(25,000)	(25,000)	-	-
General receipts and advances	4,319,770	3,891,760	1,405,196	(24,941)	5,724,966	3,866,819
Total receipts	\$ 5,019,078	\$ 4,670,404	\$ 12,442,272	\$ 10,843,291	\$ 17,461,350	\$ 15,513,695

(continued on next page)

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Table 2
Change in Net Position
(Concluded)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Program cash disbursements						
General government	886,686	837,130	\$ -	\$ -	\$ 886,686	\$ 837,130
Security of persons and property	1,631,117	1,335,487	-	-	1,631,117	1,335,487
Public health services	46,635	368,096	-	-	46,635	368,096
Leisure time activities	90,737	77,687	-	-	90,737	77,687
Community environment	181,654	186,688	-	-	181,654	186,688
Transportation	934,396	873,473	-	-	934,396	873,473
Capital outlay	452,199	508,754	-	-	452,199	508,754
Principal	43,253	47,446	-	-	43,253	47,446
Interest and fiscal charges	6,896	6,707	-	-	6,896	6,707
Water	-	-	2,312,313	974,518	2,312,313	974,518
Sewer	-	-	1,277,575	1,159,693	1,277,575	1,159,693
Electric	-	-	8,281,007	8,056,469	8,281,007	8,056,469
Refuse	-	-	367,119	342,071	367,119	342,071
Other	-	-	36,206	35,943	36,206	35,943
Total program cash disbursements	<u>4,273,573</u>	<u>4,241,468</u>	<u>12,274,220</u>	<u>10,568,694</u>	<u>16,547,793</u>	<u>14,810,162</u>
Increase in net position	745,505	428,936	168,052	274,597	913,557	703,533
Net position, at beginning of year	<u>4,312,385</u>	<u>3,883,449</u>	<u>4,767,508</u>	<u>4,492,911</u>	<u>9,079,893</u>	<u>8,376,360</u>
Net position, at end of year	<u>\$ 5,057,890</u>	<u>\$ 4,312,385</u>	<u>\$ 4,935,560</u>	<u>\$ 4,767,508</u>	<u>\$ 9,993,450</u>	<u>\$ 9,079,893</u>

Governmental Activities

Program receipts represent 13.9 percent of total receipts and are comprised of charges for services, operating and capital grants and contributions.

General receipts represent 86.1 percent of the Village's total receipts of governmental activities, and of this amount, 72.5 percent are municipal income taxes and property and other local taxes. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for general government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, the finance 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, 2021

If you look at the Statement of Activities – Cash Basis on page 66, 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 38.2 percent, 21.9 percent, 20.7 percent, and 10.6 percent of all governmental disbursements, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net (Disbursement) Receipt column compares the program receipts to the cost of the service. This “net cost” amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
Governmental activities		
General government	\$ 886,686	\$ 373,140
Security of persons and property	1,631,117	1,602,319
Public health services	46,635	45,090
Leisure time activities	90,737	86,744
Community environment	181,654	172,718
Transportation	934,396	875,231
Capital outlay	452,199	368,874
Principal	43,253	43,253
Interest and fiscal charges	6,896	6,896
Total governmental activities	\$ 4,273,573	\$ 3,574,265

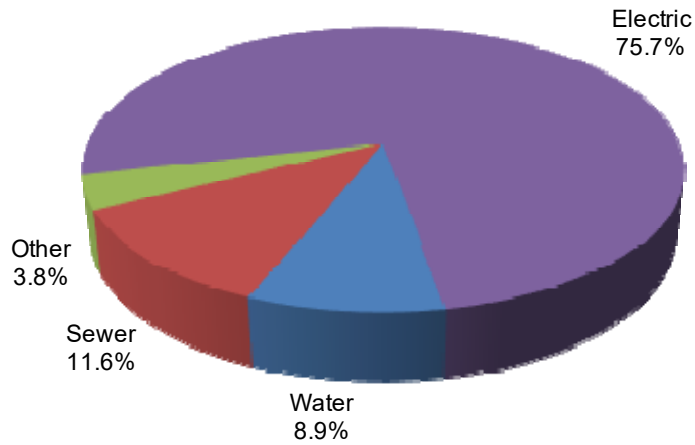
The dependence upon property and income tax receipts is apparent as 73.2 percent of governmental activities are supported through these general receipts.

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

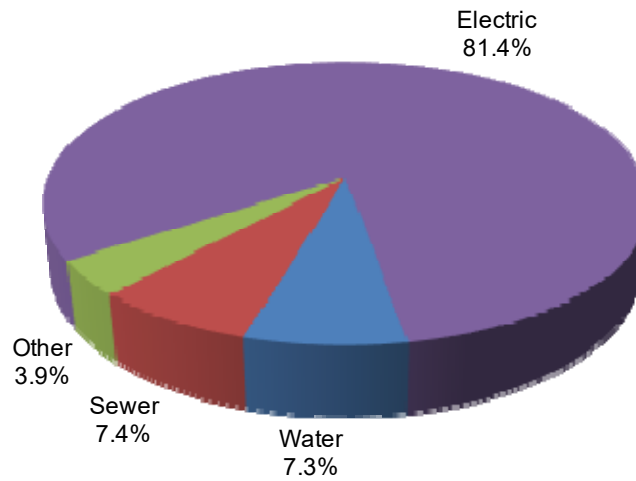
Business-type Activities

Charges for services is the primary source of receipts for the business-type activities. Program cash receipts were \$ 168,844 higher in 2021.

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, 2021

The Village's Funds

Total governmental funds had receipts of \$ 4,977,009 and disbursements of \$ 4,273,573. Net other financing sources (uses) totaled \$ 42,069. The fund balances of the General Fund, SCMR Fund, Capital Improvements Fund and Other Governmental Funds changed by \$ 470,056, \$ 11,859, \$ 42,727 and \$ 220,863, 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 2021, the Village amended its General Fund budget to reflect changing circumstances. Final budgeted receipts were \$ 51,414 higher than original budgeted receipts. Actual receipts were greater than the final budgeted amount by \$ 133,664. Original and final disbursements were budgeted at \$ 3,681,607 and \$ 3,803,403, respectively. Actual disbursements were \$ 248,221 less than the final budgeted amount.

During 2021, the Village did not amend its SCMR Fund budget. Original and final budgeted receipts were \$ 235,000. Actual receipts were greater than the final budgeted amount by \$ 32,007. Original and final budgeted disbursements were \$ 276,945. Actual disbursements were \$ 20,771 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:

	Total	
	2021	2020
OWDA loans	\$ 3,897,249	\$ 3,886,180
OPWC loans	690,676	556,291
Lorain County loan	-	2,500
	\$ 4,587,925	\$ 4,444,971

The special assessment bonds were for street improvements. The OWDA loans relate to water, sewer and storm sewer projects. OPWC loans financed street and waterline improvements and replacements. 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, 2021

Current Issues

American Rescue Plan Act 2021 (ARP)

As part of the Coronavirus State and Local Fiscal Recovery Funds program, the Village received \$ 257,269 from ARP funding in 2021. The Village is expecting to receive the same amount in the fall of 2022. Funds will be used according to the U.S. Treasury Final Rule for the State and Local Fiscal Recovery Fund (SLFRF) program. Funds may be used for water, sewer, broadband and general economic infrastructure projects as well as replacing lost revenue due to the ongoing pandemic.

Police Station Facility Relocation Project

The village issued a 3rd round of requests for proposals for the Police Department Station Relocation Project in the final weeks of December. On January 11, 2022, the village received 8 bids, and in the January 18, 2022 council meeting, selected a winning bidder. The project is expected to commence after the contract documents are finalized and the preliminary supplies are shipped to location with site prep work beginning when the weather breaks.

Wastewater Treatment Plant and Water Treatment Plant VFD Updates

The Village has recently replaced outdated and outmoded VFD's at its Wastewater Treatment Plant and Water Treatment Plant, which will enable the communication system to better control the inputs, flows and regulators of the plant. This will also assist with real time alerts.

A similar system will be installed in the Water Treatment Plant in the coming weeks, as the village has just authorized a 4 VFD system overhaul to improve system control, communication and oversight. This technological upgrade will enhance the capacities and problem-solving capabilities of the facility and the associated systems.

WWTP UV System Update

The Wastewater treatment plant UV system is slated for upgrade later this year, due to the obsolescence of the current equipment's replacement parts.

Ground Storage Tank Updates

The Ground Storage Tank construction project was finalized and the unit was brought online in December 2021. The capacity of the village's water system is enhanced by this addition.

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 Pfeiffer, Finance Director, Village of Wellington, 115 Willard Memorial Square, Wellington, Ohio 44090.

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VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
STATEMENT OF NET POSITION – CASH BASIS
DECEMBER 31, 2021

	Governmental Activities	Business-type Activities	Total
Assets			
Equity in pooled cash	\$ 5,057,890	\$ 4,935,560	\$ 9,993,450
Total assets	\$ 5,057,890	\$ 4,935,560	\$ 9,993,450
Net position			
Restricted for:			
Capital projects	\$ 1,339,510	\$ -	\$ 1,339,510
Debt service	132,463	-	132,463
Highways and streets	849,712	-	849,712
Security of persons and property	168,332	-	168,332
Other	267,786	-	267,786
Unrestricted	2,300,087	4,935,560	7,235,647
Total net position	\$ 5,057,890	\$ 4,935,560	\$ 9,993,450

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, 2021

	Cash Disbursements	Program Cash Receipts		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Current				
General government	\$ 886,686	\$ 256,127	\$ 257,419	\$ -
Security of persons and property	1,631,117	15,170	13,628	-
Public health services	46,635	1,545	-	-
Leisure time activities	90,737	3,000	993	-
Community environment	181,654	-	8,936	-
Transportation	934,396	-	-	59,165
Capital outlay	452,199	-	-	83,325
Debt service				
Principal	43,253	-	-	-
Interest and fiscal charges	6,896	-	-	-
Total governmental activities	<u>4,273,573</u>	<u>275,842</u>	<u>280,976</u>	<u>142,490</u>
Business-type activities				
Water	2,312,313	980,753	-	40,279
Sewer	1,277,575	1,266,025	-	30,355
Electric	8,281,007	8,303,904	-	-
Refuse	367,119	383,418	-	-
Other	36,206	32,342	-	-
Total business-type activities	<u>12,274,220</u>	<u>10,966,442</u>	<u>-</u>	<u>70,634</u>
Total	<u>\$ 16,547,793</u>	<u>\$ 11,242,284</u>	<u>\$ 280,976</u>	<u>\$ 213,124</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 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
\$ (373,140)	\$ -	\$ (373,140)
(1,602,319)	-	(1,602,319)
(45,090)	-	(45,090)
(86,744)	-	(86,744)
(172,718)	-	(172,718)
(875,231)	-	(875,231)
(368,874)	-	(368,874)
(43,253)	-	(43,253)
(6,896)	-	(6,896)
<u>(3,574,265)</u>	<u>-</u>	<u>(3,574,265)</u>
-	(1,291,281)	(1,291,281)
-	18,805	18,805
-	22,897	22,897
-	16,299	16,299
-	(3,864)	(3,864)
-	<u>(1,237,144)</u>	<u>(1,237,144)</u>
<u>(3,574,265)</u>	<u>(1,237,144)</u>	<u>(4,811,409)</u>
671,082	-	671,082
2,458,810	-	2,458,810
534,673	-	534,673
-	1,430,191	1,430,191
17,069	-	17,069
18,028	5	18,033
595,108	-	595,108
25,000	(25,000)	-
<u>4,319,770</u>	<u>1,405,196</u>	<u>5,724,966</u>
745,505	168,052	913,557
<u>4,312,385</u>	<u>4,767,508</u>	<u>9,079,893</u>
<u>\$ 5,057,890</u>	<u>\$ 4,935,560</u>	<u>\$ 9,993,450</u>

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES -
GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	<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	\$ 2,300,087	\$ 612,676	\$ 1,339,510	\$ 805,617	\$ 5,057,890
Total assets	<u>\$ 2,300,087</u>	<u>\$ 612,676</u>	<u>\$ 1,339,510</u>	<u>\$ 805,617</u>	<u>\$ 5,057,890</u>
Fund balances					
Restricted	\$ -	\$ 612,676	\$ 1,339,510	\$ 805,617	\$ 2,757,803
Assigned	101,624	-	-	-	101,624
Unassigned	2,198,463	-	-	-	2,198,463
Total fund balances	<u>\$ 2,300,087</u>	<u>\$ 612,676</u>	<u>\$ 1,339,510</u>	<u>\$ 805,617</u>	<u>\$ 5,057,890</u>

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY

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

FOR THE YEAR ENDED DECEMBER 31, 2021

	General Fund	SCMR Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and other taxes	\$ 615,770	\$ -	\$ -	\$ 55,312	\$ 671,082
Municipal income tax	2,258,810	-	200,000	-	2,458,810
Special assessments	-	1,055	41,980	16,130	59,165
Charges for services	608,041	-	-	-	608,041
Fines, licenses and permits	85,276	-	-	-	85,276
Intergovernmental	299,863	265,420	-	364,306	929,589
Interest	17,443	532	-	53	18,028
Contributions and donations	14,621	-	-	150	14,771
Miscellaneous	47,377	-	83,325	1,545	132,247
Total receipts	3,947,201	267,007	325,305	437,496	4,977,009
Disbursements					
Current					
General government	885,186	-	-	1,500	886,686
Security of persons and property	1,592,655	-	-	38,462	1,631,117
Public health services	5,193	-	-	41,442	46,635
Leisure time activities	90,737	-	-	-	90,737
Community environment	181,618	-	-	36	181,654
Transportation	761,325	66,513	-	106,558	934,396
Capital outlay	-	169,621	282,578	-	452,199
Debt service					
Principal	2,500	15,711	-	25,042	43,253
Interest and fiscal charges	-	3,303	-	3,593	6,896
Total disbursements	3,519,214	255,148	282,578	216,633	4,273,573
Excess of receipts over (under) disbursements	427,987	11,859	42,727	220,863	703,436
Other financing sources (uses)					
Proceeds from sale of capital assets	17,069	-	-	-	17,069
Advances in	25,000	-	-	-	25,000
Total other financing sources	42,069	-	-	-	42,069
Net change in fund balances	470,056	11,859	42,727	220,863	745,505
Fund balances at beginning of year	1,830,031	600,817	1,296,783	584,754	4,312,385
Fund balances at end of year	\$ 2,300,087	\$ 612,676	\$ 1,339,510	\$ 805,617	\$ 5,057,890

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 – GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and other taxes	\$ 654,570	\$ 654,570	\$ 615,770	\$ (38,800)
Municipal income tax	2,100,000	2,100,000	2,258,810	158,810
Charges for services	595,320	595,320	605,041	9,721
Fines, licenses and permits	73,500	108,500	85,276	(23,224)
Intergovernmental	228,733	235,485	299,863	64,378
Interest	50,000	50,000	17,443	(32,557)
Contributions and donations	6,000	15,662	14,621	(1,041)
Miscellaneous	51,000	51,000	47,377	(3,623)
Total receipts	3,759,123	3,810,537	3,944,201	133,664
Disbursements				
Current				
General government	967,018	972,925	908,740	64,185
Security of persons and property	1,588,847	1,653,276	1,593,573	59,703
Public health services	5,500	5,500	5,193	307
Leisure time activities	96,000	96,000	94,993	1,007
Community environment	221,238	260,515	185,667	74,848
Transportation	803,004	815,187	764,516	50,671
Debt service				
Principal	-	-	2,500	(2,500)
Total disbursements	3,681,607	3,803,403	3,555,182	248,221
Excess of receipts over (under) disbursements	77,516	7,134	389,019	381,885
Other financing sources				
Proceeds from sale of capital assets	20,000	20,000	17,069	(2,931)
Advances in	25,000	25,000	25,000	-
Total other financing sources	45,000	45,000	42,069	(2,931)
Net change in fund balances	122,516	52,134	431,088	378,954
Prior year encumbrances appropriated	28,208	28,208	28,208	-
Fund balances at beginning of year	1,739,167	1,739,167	1,739,167	-
Fund balances at end of year	\$ 1,889,891	\$ 1,819,509	\$ 2,198,463	\$ 378,954

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY

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

FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Special assessments	\$ 1,000	\$ 1,000	\$ 1,055	\$ 55
Intergovernmental	230,000	230,000	265,420	35,420
Interest	4,000	4,000	532	(3,468)
Total receipts	<u>235,000</u>	<u>235,000</u>	<u>267,007</u>	<u>32,007</u>
Disbursements				
Current				
Transportation	86,795	86,795	66,613	20,182
Capital outlay	171,150	171,150	170,547	603
Debt service				
Principal	15,000	15,000	15,711	(711)
Interest and fiscal charges	4,000	4,000	3,303	697
Total disbursements	<u>276,945</u>	<u>276,945</u>	<u>256,174</u>	<u>20,771</u>
Net change in fund balances	(41,945)	(41,945)	10,833	52,778
Prior year encumbrances appropriated	1,795	1,795	1,795	-
Fund balances at beginning of year	<u>599,022</u>	<u>599,022</u>	<u>599,022</u>	<u>-</u>
Fund balances at end of year	<u>\$ 558,872</u>	<u>\$ 558,872</u>	<u>\$ 611,650</u>	<u>\$ 52,778</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, 2021

	<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	\$ 499,744	\$ 575,212	\$ 3,474,905	\$ 385,699	\$ 4,935,560
Total assets	<u>\$ 499,744</u>	<u>\$ 575,212</u>	<u>\$ 3,474,905</u>	<u>\$ 385,699</u>	<u>\$ 4,935,560</u>
Net position					
Unrestricted	\$ 499,744	\$ 575,212	\$ 3,474,905	\$ 385,699	\$ 4,935,560
Total net position	<u>\$ 499,744</u>	<u>\$ 575,212</u>	<u>\$ 3,474,905</u>	<u>\$ 385,699</u>	<u>\$ 4,935,560</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, 2021

	Water Fund	Sewer Fund	Electric Fund	Other Enterprise Funds	Total Enterprise Funds
Receipts					
Charges for services	\$ 967,523	\$ 1,253,248	\$ 8,199,066	415,760	\$ 10,835,597
Interest	-	-	-	5	5
Miscellaneous	13,230	12,777	104,838	-	130,845
Total receipts	980,753	1,266,025	8,303,904	415,765	10,966,447
Operating disbursements					
Personal services	428,116	467,977	782,980	-	1,679,073
Travel transportation	560	1,387	6,575	-	8,522
Contractual services	77,486	55,179	6,642,089	355,593	7,130,347
Materials and supplies	212,271	203,720	587,754	27,005	1,030,750
Total operating disbursements	718,433	728,263	8,019,398	382,598	9,848,692
Operating income	262,320	537,762	284,506	33,167	1,117,755
Non-operating receipts (disbursements)					
Loan proceeds	630,803	-	-	-	630,803
Loan forgiveness	799,388	-	-	-	799,388
Special assessments	782	4,355	-	-	5,137
Capital outlay	(1,466,325)	(114,584)	(261,609)	(20,727)	(1,863,245)
Principal paid	(70,679)	(373,917)	-	-	(444,596)
Interest and fiscal charges	(56,876)	(60,811)	-	-	(117,687)
Total non-operating receipts (disbursements)	(162,907)	(544,957)	(261,609)	(20,727)	(990,200)
Income (loss) before contributions and advances	99,413	(7,195)	22,897	12,440	127,555
Capital contributions - tap fees	39,497	26,000	-	-	65,497
Advances out	-	(25,000)	-	-	(25,000)
Change in net position	138,910	(6,195)	22,897	12,440	168,052
Net position at beginning of year	360,834	581,407	3,452,008	373,259	4,767,508
Net position at end of year	499,744	\$ 575,212	3,474,905	385,699	\$ 4,935,560

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION –
CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Custodial Fund
Additions	
Miscellaneous	\$ -
Total additions	-
Deductions	
Other distributions	16,771
Total deductions	16,771
Net decrease in fiduciary net position	(16,771)
Net position at beginning of year	16,771
Net position at end of year	\$ -

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, 2021

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.

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, 2021

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.

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.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. FUND ACCOUNTING (continued)

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 - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that has certain characteristics. The Village has no trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The Village's custodial fund accounts for fire insurance escrow activity.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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 custodial 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 \$ 17,443 which included \$ 13,542 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, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. CASH AND INVESTMENTS (continued)

During 2021, the Village invested in STAR Ohio.

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 2021, 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 \$ 100 million or more. STAR Ohio reserves the right to limit the transaction to \$ 250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$ 250 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, 2021

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, 2021, restricted net position amounted to \$ 2,757,803, 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.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. FUND BALANCE (continued)

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.

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

For 2021, the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. These changes were incorporated in the Village's 2021 financial statements; however, there was no effect on beginning net position or fund balance.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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	\$ 431,088	\$ 10,833
Adjustments .		
Encumbrances	35,968	1,026
Funds budgeted elsewhere **	3,000	-
Cash basis, as reported	\$ 470,056	\$ 11,859

** 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, the Railroad Grade Crossing Fund, and the Cable TV Escrow Fund.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 5 – FUND BALANCES

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

	General Fund	SCMR Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
Fund balances					
Restricted					
Capital projects	\$ -	\$ -	\$ 1,339,510	\$ -	\$ 1,339,510
Debt service	-	-	-	132,463	132,463
Highways and streets	-	612,676	-	237,036	849,712
Security of persons and property	-	-	-	168,332	168,332
Other	-	-	-	267,786	267,786
	<u>-</u>	<u>612,676</u>	<u>1,339,510</u>	<u>805,617</u>	<u>2,757,803</u>
Assigned					
Recreation	53,592	-	-	-	53,592
Encumbrances	35,967	-	-	-	35,967
Railroad grade crossing improvement	7,065	-	-	-	7,065
Other	5,000	-	-	-	5,000
	<u>101,624</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>101,624</u>
Unassigned	2,198,463	-	-	-	2,198,463
Total fund balances	<u>\$ 2,300,087</u>	<u>\$ 612,676</u>	<u>\$ 1,339,510</u>	<u>\$ 805,617</u>	<u>\$ 5,057,890</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.

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.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

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.

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.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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, \$ 5,506,025 of the Village's bank balance of \$ 7,281,384 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 50 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, 2021, the Village had the following investments:

	Measurement Value	Maturity
STAR Ohio	\$ 2,783,351	51.3 days

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021.

STAR Ohio	Percentage of Investments 100.0%
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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.

NOTE 7 - INCOME TAXES

The Village levies a 1.75 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.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 8 – PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2021 for real and public utility property taxes represents collections of 2020 taxes.

2021 real property taxes are levied after October 1, 2021, on the assessed value as of January 1, 2021, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2021 real property taxes are collected in and intended to finance 2022. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2021 public utility property taxes which became a lien December 31, 2020 are levied after October 1, 2021, and are collected in 2022 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2021, was \$ 4.10 per \$ 1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2021 property tax receipts were based are as follows:

	2021 Collection Year
Property valuation consisted of:	
Real property	\$ 99,181,050
Public utility property	2,979,230
Total valuation	\$ 102,160,280

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.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 10 - DEBT

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

	Adjusted Outstanding 12/31/20	Additions	Reductions	Outstanding 12/31/21	Due In One Year
OWDA loans					
2.13% - 6.87% through 2051	\$ 3,886,180	\$ 455,803	\$ 444,734	\$ 3,897,249	\$ 480,723
OPWC loans					
0% through 2051	556,291	175,000	40,615	690,676	38,539
Lorain County loan					
0% through 2020	2,500	-	2,500	-	-
	<u>\$ 4,444,971</u>	<u>\$ 630,803</u>	<u>\$ 487,849</u>	<u>\$ 4,587,925</u>	<u>\$ 519,262</u>

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 Village received loan forgiveness of \$ 799,388 on the ground water storage project. Loan forgiveness is the removal of a borrower's obligation to repay a portion of a loan. Special funds were available through OWDA to support "Safe Drinking Water" projects.

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

Year	OWDA loans		OPWC loans	Total	
	Principal	Interest	Principal	Principal	Interest
2022	\$ 480,723	\$ 127,068	\$ 38,539	\$ 519,262	\$ 127,068
2023	502,594	105,196	42,298	544,892	105,196
2024	374,441	82,187	42,298	416,739	82,187
2025	176,965	69,368	42,298	219,263	69,368
2026	182,015	64,317	41,763	223,778	64,317
2027 - 2031	988,599	238,811	179,559	1,168,158	238,811
2032 - 2036	927,422	87,457	124,856	1,052,278	87,457
2037 - 2041	112,547	559	85,709	198,256	559
2042- 2046	75,965	-	58,348	134,313	-
2047 - 2051	75,978	-	35,008	110,986	-
	<u>\$ 3,897,249</u>	<u>\$ 774,963</u>	<u>\$ 690,676</u>	<u>\$ 4,587,925</u>	<u>\$ 774,963</u>

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

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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 2021, 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 2021, 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 2021, the Village paid \$ 30,779 to the Cemetery. Financial information can be obtained by contacting the Cemetery at 115 Willard Square, Wellington, Ohio, 44090.

D. WELLINGTON COMMUNITY IMPROVEMENT CORPORATION (CIC)

The Wellington CIC is a community improvement corporation organized pursuant to Ohio Rev. Code Section 1724 and is directed by a seven-member Board of Trustees which includes the Village Mayor, Council President, and Village Administrator. The Wellington CIC coordinates community development activities within the Village. In 2021, the Village did not make any payments to the Wellington CIC. Financial information can be obtained by contacting the Wellington CIC at 115 Willard Square, Wellington, Ohio, 44090.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021 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.

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, 2020 (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.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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.

Since March 31, 2014 the Village has made payments of \$ 389,593 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 \$16,947 and interest expense incurred on AMP's line-of-credit of \$ 67,817, resulting in a net impaired cost estimate at December 31, 2020 of \$ 378,549. The Village does have a potential PHFU Liability of \$ 408,601 resulting in a net total potential liability of \$ 787,150, 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.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 15 – DEFINED BENEFIT PENSION PLANS (continued)

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

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 Annual Comprehensive Annual Report referenced above for additional information, including requirements for reduced and unreduced benefits):

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

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

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

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. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost of living adjustment is 3 percent. For those retiring on or after January 7, 2013, beginning in calendar year 2019, the adjustment is based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of their benefit (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

	State and Local	Public Safety	Law Enforcement
2021 Statutory Maximum Contribution Rates			
Employer	14.0%	18.1%	18.1%
Employee *	10.0%	**	***
2021 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>

- * Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.
- ** 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.
- **** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated to 4 percent for health care with the remainder going to pension.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village's contractually required contribution was \$ 332,117 for 2021.

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, 2021

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 Annual Comprehensive Financial Report 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.

The COLA amount for members who have 15 or more years of service credit as of July 1, 2013, and members who are receiving a pension benefit that became effective before July 1, 2013, will be equal to 3.0 percent of the member's base pension benefit. The COLA amount for members who have less than 15 years of service credit as of July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3.0 percent or the percentage increase in the consumer price index, if any, over the twelve-month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent. Members who retired prior to July 24, 1986, or their surviving beneficiaries under optional plans are entitled to cost-of-living allowance increases. The annual increase is paid on July 1st of each year. The annual COLA increase is \$ 360 under a Single Life Annuity Plan with proportional reductions for optional payment plans.

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

	<u>Police</u>	<u>Firefighters</u>
2021 Statutory Maximum Contribution Rates		
Employer	19.50%	24.00%
Employee	12.25%	12.25%
2021 Actual Contribution Rates		
Employer:		
Pension	19.00%	23.50%
Post-employment Health Care Benefits	0.50%	0.50%
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 \$ 106,523 for 2021. The Village has no firefighters.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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 postemployment 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. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

Medicare-eligible retirees who choose to become re-employed or survivors who become employed in an OPERS-covered position are prohibited from participating in an HRA. For this group of retirees, OPERS sponsors secondary coverage through a professionally managed self-insured program. Retirees who enroll in this plan are provided with a monthly allowance to offset a portion of the monthly premium. Medicare-eligible spouses and dependents can also enroll in this plan as long as the retiree is enrolled.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS.

The health care 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 separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

Effective January 1, 2022, OPERS will discontinue the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 16 – POSTEMPLOYMENT BENEFITS (continued)

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

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 with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Current retirees eligible (or who become eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements will change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. 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' Annual Comprehensive Financial Report 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. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021, 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.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2021, 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 2021 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. For 2021, OPERS did not allocate any employer contributions to post-employment health care.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 16 – POSTEMPLOYMENT BENEFITS (continued)

B. OHIO POLICE AND FIRE PENSION FUND

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment health care 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. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

OP&F contracted with a vendor who assists eligible retirees in choosing health care plans that are available where they live (both Medicare-eligible and pre-65 populations). A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses.

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

OP&F maintains funds for health care in two separate accounts: 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. IRS Code Section 401(h) account is maintained for Medicare Part B reimbursements.

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 is 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. The report may be obtained by visiting the OP&F 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.

Funding Policy – 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 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.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 16 – POSTEMPLOYMENT BENEFITS (continued)

B. OHIO POLICE AND FIRE PENSION FUND (continued)

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2021, 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.

The OP&F 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 contractually required contribution to OP&F was \$ 2,803 for 2021.

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 has created 24 new jobs. For the year ended December 31, 2021 the Village abated property taxes totaling \$ 1,872. There are no provisions for recapturing abated taxes.

Tax abatement was granted by the Village through the Ohio Community Reinvestment Area Program (Ohio Development Services Agency, Office of Tax Incentives) for Dickason Enterprises (aka U.S. Screen) located at 745 Industrial Avenue, Wellington in the amount of 100% for 10 years on the new real property investment of \$ 686,000 (total project cost was \$ 950,000) in 2021. Dickason Enterprises was eligible for tax abatement because they were making an investment in new real property and creating jobs. The project was expected to create 15 new jobs. For the year ended December 31, 2021, the Village abated property taxes totaling \$ 1,013. There are no provisions for recapturing abated taxes.

NOTE 18 – INTERFUND ACTIVITY

Interfund advances at December 31, 2021, consisted of \$ 25,000 advance repaid from the Sewer Fund to the General Fund.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 19 – LEASES

The Village leases vehicles under noncancelable leases. The Village disbursed \$ 61,937 to pay lease costs for the year ended December 31, 2021. Future lease payments are as follows:

	Amount
2022	\$ 61,937
2023	14,094
	<u>\$ 76,031</u>

NOTE 20 – CONTRACTUAL COMMITMENTS

At December 31, 2021 the Village had contractual commitments of:

	Contract Amount	Amount Paid	Balance Remaining on Contract
Ground storage tank and pump station improvements	<u>\$1,596,580</u>	<u>\$1,431,502</u>	<u>\$ 165,078</u>

NOTE 21 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
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(800) 282-0370

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

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

To the Village Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by 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, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated October 23, 2023, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

October 23, 2023

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF WELLINGTON

LORAIN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 11/9/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov