

WELLINGTON EXEMPTED VILLAGE
SCHOOL DISTRICT

GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

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The Board of Education
Wellington Exempted Village School District
Wellington, Ohio 44090

We have reviewed the Independent Auditor's Report of the Wellington Exempted Village School District, Lorain County, prepared by Rea & Associates, Inc., for the audit period July 1, 1999 through June 30, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

December 13, 2000

WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2000

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

September 15, 2000

The Board of Education
Wellington Exempted Village School District
Wellington, Ohio 44090

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying general purpose financial statements of Wellington Exempted Village School District as of and for the year ended June 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Wellington Exempted Village School District as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 15, 2000 on our consideration of Wellington Exempted Village School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Rea & Associates, Inc.

WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Assets				
Cash and Cash Equivalents - Unrestricted	\$ 2,787,690	\$ 162,778	\$ 31	\$ 553,872
Cash and Cash Equivalents - Restricted	173,111	0	0	0
Receivables:				
Taxes	3,105,071	0	0	0
Prepaid Items	14,636	0	0	0
Inventory Held For Resale	0	0	0	0
Materials and Supplies Inventory	14,232	0	0	0
Fixed Assets (Net)	0	0	0	0
Other Debits				
Amount Available In Debt Service	0	0	0	0
Amount to be Provided From Government Resources	0	0	0	0
Total Assets and Other Debits	\$ 6,094,740	\$ 162,778	\$ 31	\$ 553,872
Liabilities, Fund Equity and Other Credits				
Liabilities				
Accounts Payable	\$ 375,029	\$ 1,815	\$ 0	\$ 0
Accrued Wages and Benefits	660,420	30,027	0	0
Compensated Absences Payable	34,468	0	0	0
Intergovernmental Payable	188,890	8,517	0	0
Deferred Revenue	2,125,217	0	0	0
Undistributed Monies	0	0	0	0
Capital Lease Payable	0	0	0	0
Total Liabilities	3,384,024	40,359	0	0
Fund Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	1,246,159	20,253	0	0
Reserved for Inventory	14,232	0	0	0
Reserved for Prepaid Items	14,636	0	0	0
Reserved for Tax Revenue Unavailable for Appropriations	471,283	0	0	0
Reserved for Budget Stabilization	173,111	0	0	0
Unreserved:				
Undesignated	791,295	102,166	31	553,872
Total Fund Equity and Other Credits	2,710,716	122,419	31	553,872
Total Liabilities, Fund Equity and Other Credits	\$ 6,094,740	\$ 162,778	\$ 31	\$ 553,872

See accompanying notes to the general purpose financial statements.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups			Totals (Memorandum Only)
		Trust and Agency	General Fixed Assets	General Long-Term Obligations	
Enterprise					
\$ 44,703	\$ 35,326	\$ 0	\$ 0	\$ 0	\$ 3,584,400
0	0	0	0	0	173,111
0	0	0	0	0	3,105,071
0	0	0	0	0	14,636
7,908	0	0	0	0	7,908
2,133	0	0	0	0	16,365
13,322	0	9,513,233	0	0	9,526,555
0	0	0	0	31	31
0	0	0	0	912,603	912,603
\$ 68,066	\$ 35,326	\$ 9,513,233	\$ 912,634	\$ 17,340,680	
\$ 112	\$ 0	\$ 0	\$ 0	\$ 0	\$ 376,956
26,324	0	0	0	0	716,771
9,406	0	0	443,465	0	487,339
4,670	0	0	51,576	0	253,653
6,152	0	0	0	0	2,131,369
0	35,276	0	0	0	35,276
0	0	0	417,593	0	417,593
46,664	35,276	0	912,634	0	4,418,957
0	0	9,513,233	0	0	9,513,233
21,402	0	0	0	0	21,402
0	0	0	0	0	1,266,412
0	0	0	0	0	14,232
0	0	0	0	0	14,636
0	0	0	0	0	471,283
0	0	0	0	0	173,111
0	50	0	0	0	1,447,414
21,402	50	9,513,233	0	0	12,921,723
\$ 68,066	\$ 35,326	\$ 9,513,233	\$ 912,634	\$ 17,340,680	

WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT

*Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances*

All Governmental Fund Types and Expendable Trust Funds

For the Year Ended June 30, 2000

	Governmental Fund Type			
	General	Special Revenue	Debt Service	Capital Projects
Revenues				
Taxes	\$ 4,103,104	\$ 0	\$ 0	\$ 0
Intergovernmental	4,319,461	463,392	0	0
Investment Income	236,764	0	0	0
Extracurricular Activities	0	297,719	0	0
Miscellaneous	69,913	58,736	0	0
Total Revenues	8,729,242	819,847	0	0
Expenditures				
Current:				
Instruction				
Regular	4,337,107	39,865	0	1,943
Special	439,808	157,519	0	0
Vocational	159,890	0	0	0
Other	42,261	0	0	0
Support Services:				
Pupils	281,573	0	0	0
Instructional Staff	217,618	45,430	0	9,767
Board of Education	21,780	0	0	0
Administration	827,056	73,521	0	0
Fiscal	177,700	4,535	0	0
Business	0	0	0	895
Operation and Maintenance of Plant	1,721,720	174,280	0	16,823
Pupil Transportation	449,489	25,212	0	0
Central	168,137	0	0	5,480
Operation of Non-Instructional Services	0	13,513	0	0
Extracurricular Activities	147,833	179,708	0	0
Capital Outlay	423,688	16,923	0	16,145
Total Expenditures	9,415,660	730,506	0	51,053
Excess of Revenues Over (Under) Expenditures	(686,418)	89,341	0	(51,053)
Other Financing Sources (Uses)				
Operating Transfers In	6,549	17,468	0	0
Operating Transfers Out	(27,998)	(16,565)	0	0
Total Other Financing Sources (Uses)	(21,449)	903	0	0
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(707,867)	90,244	0	(51,053)
Fund Balance at Beginning Of Year	3,420,660	32,175	31	604,925
Increase in Reserve for Inventory	(2,077)	0	0	0
Fund Balance at End of Year	\$ 2,710,716	\$ 122,419	\$ 31	\$ 553,872

See accompanying notes to the general purpose financial statements.

Fiduciary Fund Type		Totals (Memorandum Only)	
Expendable Trust			
\$	0	\$	4,103,104
	0		4,782,853
	0		236,764
	0		297,719
	0		128,649
	0		9,549,089
	0		4,378,915
	0		597,327
	0		159,890
	0		42,261
	0		281,573
	0		272,815
	0		21,780
	0		900,577
	0		182,235
	0		895
	0		1,912,823
	0		474,701
	0		173,617
	0		13,513
	0		327,541
	0		456,756
	0		10,197,219
	0		(648,130)
	0		24,017
	0		(44,563)
	0		(20,546)
	0		(668,676)
	50		4,057,841
	0		(2,077)
\$	50	\$	3,387,088

WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT

*Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual*
All Governmental Fund Types and Expendable Trust Funds
(Non-GAAP Budgetary Basis)

For the Year Ended June 30, 2000

GENERAL FUND			
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Taxes	\$ 3,948,481	\$ 3,972,716	\$ 24,235
Intergovernmental	3,852,662	4,320,006	467,344
Investment Income	257,637	236,764	(20,873)
Tuition and Fees	(37,091)	(34,086)	3,005
Extracurricular Activities	0	0	0
Miscellaneous	113,967	104,734	(9,233)
Total Revenues	8,135,656	8,600,134	464,478
<u>Expenditures</u>			
Current			
Instruction	4,941,500	4,926,142	15,358
Support Services			
Pupils	291,500	288,298	3,202
Instructional Staff	219,000	217,025	1,975
Board of Education	23,530	21,964	1,566
Administration	920,000	834,887	85,113
Fiscal	221,000	213,679	7,321
Operation and Maintenance of Plant	2,513,000	2,477,617	35,383
Pupil Transportation	530,727	468,146	62,581
Central	763,000	647,710	115,290
Operation of Non-Instructional Services	45,000	0	45,000
Extracurricular Activities	157,025	148,123	8,902
Capital Outlay	85,000	76,353	8,647
Total Expenditures	10,710,282	10,319,944	390,338
Excess of Revenues Over (Under) Expenditures	(2,574,626)	(1,719,810)	854,816
<u>Other Financing Sources (Uses)</u>			
Refund of Prior Year Receipts	0	0	0
Operating Transfers In	7,126	6,549	(577)
Operating Transfers Out	(50,000)	(27,998)	22,002
Total Other Financing Sources (Uses)	(42,874)	(21,449)	21,425
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,617,500)	(1,741,259)	876,241
Fund Balance (Deficit) at Beginning of Year	2,666,480	2,666,480	0
Prior Year Encumbrances Appropriated	761,727	761,727	0
Fund Balance (Deficit) at End of Year	\$ 810,707	\$ 1,686,948	\$ 876,241

SPECIAL REVENUE FUND			DEBT SERVICE FUND		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
676,253	526,402	(149,851)	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
289,153	298,470	9,317	0	0	0
56,902	58,736	1,834	0	0	0
1,022,308	883,608	(138,700)	0	0	0
248,346	211,127	37,219	0	0	0
0	0	0	0	0	0
55,505	45,052	10,453	0	0	0
0	0	0	0	0	0
81,800	74,614	7,186	0	0	0
4,600	4,535	65	0	0	0
0	0	0	0	0	0
25,725	25,332	393	0	0	0
0	0	0	0	0	0
12,000	13,513	(1,513)	0	0	0
192,843	187,502	5,341	0	0	0
20,000	16,923	3,077	0	0	0
640,819	578,598	62,221	0	0	0
381,489	305,010	(76,479)	0	0	0
0	(5,051)	(5,051)	0	0	0
16,923	17,468	545	0	0	0
(17,700)	(16,566)	1,134	0	0	0
(777)	(4,149)	(3,372)	0	0	0
380,712	300,861	(79,851)	0	0	0
(170,881)	(170,881)	0	31	31	0
10,730	10,730	0	0	0	0
\$ 220,561	\$ 140,710	\$ (79,851)	\$ 31	\$ 31	\$ 0

(continued)

WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT

Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
All Governmental Fund Types and Expendable Trust Funds
(Non-GAAP Budgetary Basis)

For the Year Ended June 30, 2000

CAPITAL PROJECTS FUND			
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 0	\$ 0	\$ 0
Intergovernmental	(116,664)	52,565	169,229
Investment Income	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Miscellaneous	0	0	0
Total Revenues	(116,664)	52,565	169,229
Expenditures			
Current			
Instruction	0	1,943	(1,943)
Support Services			
Pupils	0	0	0
Instructional Staff	0	9,767	(9,767)
Board of Education	0	0	0
Administration	0	895	(895)
Fiscal	0	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	6,500	5,480	1,020
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	25,747	16,145	9,602
Total Expenditures	32,247	34,230	(1,983)
Excess of Revenues Over (Under) Expenditures	(148,911)	18,335	167,246
Other Financing Sources (Uses)			
Refund of Prior Year Receipts	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(148,911)	18,335	167,246
Fund Balance (Deficit) at Beginning of Year	535,537	535,537	0
Prior Year Encumbrances Appropriated	0	0	0
Fund Balance (Deficit) at End of Year	\$ 386,626	\$ 553,872	\$ 167,246

See accompanying notes to the general purpose financial statements.

EXPENDABLE TRUST FUNDS				TOTALS (MEMORANDUM ONLY)			
Revised Budget	Actual	Variance Favorable (Unfavorable)		Revised Budget	Actual	Variance Favorable (Unfavorable)	
\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,948,481	\$ 3,972,716	\$ 24,235	
0	0	0	0	4,412,251	4,898,973	486,722	
0	0	0	0	257,637	236,764	(20,873)	
0	0	0	0	(37,091)	(34,086)	3,005	
0	0	0	0	289,153	298,470	9,317	
0	0	0	0	170,869	163,470	(7,399)	
0	0	0	0	9,041,300	9,536,307	495,007	
0	0	0	0	5,189,846	5,139,212	50,634	
0	0	0	0	291,500	288,298	3,202	
0	0	0	0	274,505	271,844	2,661	
0	0	0	0	23,530	21,964	1,566	
0	0	0	0	1,001,800	910,396	91,404	
0	0	0	0	225,600	218,214	7,386	
0	0	0	0	2,513,000	2,477,617	35,383	
0	0	0	0	556,452	493,478	62,974	
0	0	0	0	769,500	653,190	116,310	
0	0	0	0	57,000	13,513	43,487	
0	0	0	0	349,868	335,625	14,243	
0	0	0	0	130,747	109,421	21,326	
0	0	0	0	11,383,348	10,932,772	450,576	
0	0	0	0	(2,342,048)	(1,396,465)	945,583	
0	0	0	0	0	(5,051)	(5,051)	
0	0	0	0	24,049	24,017	(32)	
0	0	0	0	(67,700)	(44,564)	23,136	
0	0	0	0	(43,651)	(25,598)	18,053	
0	0	0	0	(2,385,699)	(1,422,063)	963,636	
50	50	0	0	3,031,217	3,031,217	0	
0	0	0	0	772,457	772,457	0	
\$ 50	\$ 50	\$ 0	\$ 0	\$ 1,417,975	\$ 2,381,611	\$ 963,636	

WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT

*Combined Statement of Revenues,
Expenses, and Changes in Fund Equity*
All Proprietary Fund Types

For the Year Ended June 30, 2000

	Enterprise Fund
<hr/>	
<u>Operating Revenues</u>	
Sales	\$ 255,391
Charges for Services	71,203
<i>Total Operating Revenues</i>	<u>326,594</u>
<u>Operating Expenses</u>	
Salaries	171,237
Fringe Benefits	69,159
Purchased Services	3,127
Materials and Supplies	223,211
Depreciation	5,000
Maintenance	2,907
Other Operating Expenses	568
<i>Total Operating Expenses</i>	<u>475,209</u>
Operating Income (Loss)	<u>(148,615)</u>
<u>Non-Operating Revenues (Expenses)</u>	
Operating Grants	92,289
Other Non-Operating Revenue	2,500
Other Non-Operating Expenses	36,346
<i>Total Non-Operating Revenues (Expenses)</i>	<u>131,135</u>
Loss Before Operating Transfers	(17,480)
Operating Transfers In	25,645
Operating Transfers Out	<u>(38)</u>
Net Income	8,127
Retained Earnings/Fund Balance at Beginning of Year	<u>13,275</u>
Retained Earnings/Fund Balance at End of Year	<u><u>\$ 21,402</u></u>

See accompanying notes to the general purpose financial statements.

WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT

Combined Statement of Cash Flows

All Proprietary Fund Types

For the Year Ended June 30, 2000

	Enterprise
<hr/>	
<u>Cash Flows From Operating Activities</u>	
Cash Received from Customers	\$ 326,758
Cash Paid for Goods and Services	(233,836)
Cash Paid to Employees	(239,093)
<i>Net Cash Used For Operating Activities</i>	<u>(146,171)</u>
<u>Cash Flows From Non-Capital Financing Activities</u>	
Grants	92,289
Other Non-Operating Revenues	38,846
Operating Transfers In	25,645
Operating Transfers Out	(38)
<i>Net Cash Provided By Non-Capital Financing Activities</i>	<u>156,742</u>
<u>Cash Flows From Capital and Related Financing Activities</u>	
Proceeds from Sale of Property	(822)
Payments for Capital Acquisitions	(6,203)
<i>Net Cash Used For Capital and Related Financing Activities</i>	<u>(7,025)</u>
Net Decrease in Cash and Cash Equivalents	3,546
Cash and Cash Equivalents at Beginning of Year	41,157
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$ 44,703</u>
<u>Reconciliation of Operating Loss to Net Cash Used For Operating Activities</u>	
Operating Loss	\$ (148,615)
Adjustments to Reconcile Operating Loss to Net Cash Used For Operating Activities:	
Depreciation	5,000
(Increase) Decrease in assets:	
Inventory	(2,216)
Increase (Decrease) in liabilities:	
Accounts Payable	(1,518)
Accrued Wages and Benefits	1,375
Compensated Absences Payable	(72)
Deferred Revenue	164
Intergovernmental Payable	(289)
<i>Total Adjustments</i>	<u>2,444</u>
<i>Net Cash Used For Operating Activities</i>	<u>\$ (146,171)</u>

See accompanying notes to the general purpose financial statements.

NOTE 1 - NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

The Wellington Exempted Village School District (the District) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.04 of the Ohio Revised Code. The District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the District. Average daily membership on, or as of, October 1, 1999 was 1,557. The District employs 101 certificated and 57 non-certificated employees.

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

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

Management believes the financial statements included in the report represent all of the funds of the District over which the District has the ability to exercise direct operating control.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION

The accounts of the Wellington Exempted Village School District are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The Wellington Exempted Village School District has the following fund types and account groups:

GOVERNMENTAL FUND TYPES

Governmental fund types are used to account for the District's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay obligations of the current period, which is considered to be approximately sixty days. Generally property taxes, although measurable, are not available soon enough after the current period to finance current period obligations, and accordingly, property taxes receivable are reflected as deferred revenue until available. Reimbursements due for federally funded programs are recognized when the corresponding expenditures are made.

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, since the measurement focus of governmental funds is on decreases in financial resources. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service funds for payment to be made early in the following year. Compensated absences are reported as a fund liability when payment will require the current available financial resources. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds. Governmental funds include the following fund types:

General Fund - used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - used to account for the proceeds of specific revenue sources, other than expendable trusts or major capital projects, that are legally restricted to expenditure for specified purposes.

Debt Service Fund - used to account for the accumulation of resources for the payment of interest and principal on long-term general obligation debt other than those payable from Enterprise Funds.

Capital Projects Fund - used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary or trust funds.

PROPRIETARY FUND TYPES

Proprietary fund types are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Allocations of costs, such as depreciation, are recognized in the proprietary funds. As permitted, the Board of Education has elected to apply only applicable FASB Statements and Interpretations issued before November

30, 1989 in its accounting and reporting practices for its proprietary operations unless they contradict/conflict with GASB pronouncements. The District's proprietary funds are as follows:

Enterprise Funds - used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs, including depreciation where applicable, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

FIDUCIARY FUND TYPES

Fiduciary fund types account for assets held by the government in a trustee capacity or as an agent on behalf of others. The District's fiduciary fund types are as follows:

Expendable Trust Fund - accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting.

Agency Fund - custodial in nature and do not present results of operations or have a measurement focus. Agency Funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity.

ACCOUNT GROUPS

The District maintains two account groups as described below:

General Fixed Assets Account Group - used to account for fixed assets acquired principally for general purposes other than those accounted for in proprietary or trust funds.

General Long-term Debt Account Group - used to account for the outstanding principal balances of general obligation bonds and other long-term debt not reported in proprietary funds.

(B) *CASH AND INVESTMENTS*

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

During fiscal year 2000, investments were limited to STAR Ohio and repurchase agreements.

WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
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Investments are reported at fair value which is based on quoted market prices. Non-participating investment contracts such as repurchase agreements and non-negotiable certificates of deposit are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2000. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

Interest earned on investments is credited to the respective fund, except as stipulated by state statute or Board Resolution. Interest income earned in fiscal year 2000 totaled \$236,764.

All short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and at the day of purchase, they have a maturity date no longer than three months.

(C) *RESTRICTED CASH*

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established.

(D) *RECEIVABLES*

Receivables are reflected at their gross value reduced by the estimated amount that is expected to be uncollectible.

(E) *INVENTORIES AND SUPPLIES*

The costs of inventory items are recognized as expenditures when purchased in the governmental funds and recognized as expenses when used in the enterprise funds. For all funds, cost is determined on a first-in, first-out basis.

Reported inventories in the governmental fund types are equally offset by a fund balance reserve which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

(F) *PREPAID EXPENSES*

The District uses the consumption method to account for prepaid expenses. Under the consumption method the prepaid items are recorded as an expenditure when used.

(G) *FIXED ASSETS AND DEPRECIATION*

Fixed assets used in governmental fund types of the District are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets. The District does not possess any infrastructure.

Fixed assets which are used in proprietary fund type activities are capitalized in the respective funds. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at estimated fair market value when received, based on historical information available. Depreciation is computed using the straight-line method based on the estimated life of assets. Estimated useful lives of the various classes of depreciable assets consist of: buildings, 30 to 50 years; improvements, 30 to 50 years; equipment, including vehicles, 5 to 20 years.

(H) *LONG-TERM LIABILITIES*

Unmatured general long-term liabilities, which are related to governmental fund type operations, are reflected in the general long-term debt account group.

(I) *UNPAID COMPENSATED ABSENCES*

The entire estimated amount of unpaid compensated absences, including sick pay and vacation pay, of the proprietary type funds is reflected as a liability in the respective funds. The portion of unpaid compensated absences related to governmental fund type operations is reflected in the general long-term debt account group.

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

(J) *FUND EQUITY*

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes. Unreserved retained earnings for proprietary funds represent the net assets available for future operations.

(K) *TOTAL COLUMNS*

Total columns on the general purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

(A) *BUDGETARY PROCESS*

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are required to be budgeted and appropriated. The primary level of budgetary control is at the object code function level within each fund. Budgetary modifications may only be made by resolution of the Board of Education.

(B) *BUDGETARY BASIS*

Tax Budget

A budget of estimated revenue and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the ensuing July 1 to June 30 fiscal year.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances

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from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. Budget receipts, as shown in the accompanying "Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types and Expendable Trust Funds" do not include July 1, 2000 unencumbered fund balances. However, those fund balances are available for appropriations.

Appropriations

A temporary appropriations measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the fund, function level and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified.

The allocation of appropriations among functions within a fund may be modified during the year by a resolution of the Board of Education. Several supplemental appropriation resolutions were legally enacted by the Board of Education during the year. The budget figures, as shown in the accompanying "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types and Expendable Trust Funds" represent the final appropriation amounts including all amendments and modifications.

At the close of each year, the unencumbered balance of each appropriation reverts to the respective funds from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the Non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end for governmental funds are reported as reservations of fund balance for subsequent-year expenditures.

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Budgetary Reporting

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis, as provided by law, is based upon accounting for transactions on a basis of cash receipts, disbursements, and encumbrances. Accordingly, the “Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types and Expendable Trust Funds” is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with state statute. The major differences between the budget basis and the modified accrual basis of generally accepted accounting principles (GAAP Basis) are that:

- 1.) Revenues are recorded when received (budget basis) rather than when susceptible to accrual (GAAP basis).
- 2.) Expenditures are recorded when paid or encumbered (budget basis) rather than when the liability is incurred (GAAP basis).
- 3.) Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

The adjustments necessary to convert the results of operations for the year from the budget basis to the GAAP basis for the governmental funds follow:

Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)
Reconciliation of Budget Basis to GAAP Basis

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Expendable Trust Fund
Budget Basis	\$(1,741,259)	\$ 300,861	\$ 0	\$ 18,335	\$ 0
Adjustments, increase (decrease)					
Revenue Accruals	129,109	(63,761)	0	(86,211)	0
Expenditure Accruals	(369,570)	(168,924)	0	16,823	0
Encumbrances	1,273,853	22,068	0	0	0
GAAP Basis	<u>\$ (707,867)</u>	<u>\$ 90,244</u>	<u>\$ 0</u>	<u>\$ (51,053)</u>	<u>\$ 0</u>

WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
June 30, 2000

(C) *DEFICIT RETAINED EARNINGS/FUND BALANCE*

The following funds had a deficit in retained earnings/fund balance as of June 30, 2000:

Special Revenue Funds:		
Title VI-B	\$	5,895
Drug Free Schools		6,277
Enterprise Fund:		
Latchkey		4,692
Community Education		77

NOTE 4 - DEPOSITS AND INVESTMENTS

The Wellington Exempted Village School District maintains a cash and investment pool used by various funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents."

A. LEGAL REQUIREMENTS

State statutes classify monies held by the District into three categories:

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two 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 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.

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

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

- (1) United States treasury notes, bills, bonds, 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 obligations or securities 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 issuance's of federal government agencies or instrumentalities;
- (3) Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be market to market daily with the term of the agreement not exceeding thirty days;
- (4) Bonds and other obligations of the State of Ohio;
- (5) No load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- (6) The State Treasurer's investments pool (STAR Ohio);
- (7) Certain bankers' acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
- (8) Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 Wellington Exempted Village School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specific dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
 June 30, 2000

DEPOSITS AND CASH

At fiscal year-end, the carrying amount of the School District's deposits was \$(98,558) and the bank balance was \$4,648. All of the bank balance was covered by federal depository insurance, following all state statutory requirements for the deposit of money.

B. INVESTMENTS

GASB Statement No. 3 "Deposits with Financial Institutions, Investors (including Repurchase Agreements), and Reverse Repurchase Agreements" requires the School District to categorize investments to give an indication of the level of risk assumed by the School District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The carrying value of deposits and investments are presented in the combined balance sheet as equity in pooled cash and cash equivalents. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Repurchase Agreements	\$ <u>0</u>	\$ <u>0</u>	\$ <u>1,905,000</u>	\$ 1,905,000	\$ 1,905,000
STAR Ohio				<u>1,951,069</u>	<u>1,951,069</u>
Total				<u>\$ 3,856,069</u>	<u>\$ 3,856,069</u>

NOTE 5 – INTERFUND TRANSACTIONS

The following is a summarized breakdown of the District's operating transfers for fiscal year 2000:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 6,549	\$ (27,998)
Special Revenue	17,468	(16,566)
Enterprise Fund	25,645	(38)
Agency Funds	493	(5,553)
Total	<u>\$ 50,155</u>	<u>\$ (50,155)</u>

WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
 June 30, 2000

NOTE 6 - FIXED ASSETS AND ACCUMULATED DEPRECIATION

(A) *GENERAL FIXED ASSETS ACCOUNT GROUP*

The changes in general fixed assets during the year consisted of:

	Balance June 30, 1999	Additions	Deletions	Balance June 30, 2000
Land and Improvements	\$ 356,954	\$ 60,706	\$ 0	\$ 417,660
Buildings	3,692,925	1,356,785	0	5,049,710
Furniture and Equipment	3,488,596	118,841	198,761	3,408,676
Vehicles	535,783	101,404	0	637,187
	<u>\$ 8,074,258</u>	<u>\$ 1,637,736</u>	<u>\$ 198,761</u>	<u>\$ 9,513,233</u>

(B) *PROPRIETARY FUND TYPE FIXED ASSETS*

Proprietary fund type fixed assets and accumulated depreciation at year-end consisted of:

	Balance June 30, 1999	Additions	Deletions	Current Depreciation	Balance June 30, 2000
Furniture and equipment	\$ 229,328	\$ 7,847	\$ 822	\$ 0	\$ 236,353
Less Accumulated Depreciation					
To June 30, 1999	218,031	0	0	0	218,031
Less Current Year					
Depreciation	0	0	0	5,000	5,000
Net Fixed Assets	<u>\$ 11,297</u>	<u>\$ 7,847</u>	<u>\$ 822</u>	<u>\$ 5,000</u>	<u>\$ 13,322</u>

NOTE 7 - GENERAL LONG TERM OBLIGATIONS

	Outstanding June 30, 1999	Additions	Reductions	Outstanding June 30, 2000
Capital lease payable, 5% interest rate, due July, 2003	\$ 610,000	\$ 0	\$ 192,407	\$ 417,593
Accrued Vacations	17,574	23,454	17,574	23,454
Accrued Sick Leave Benefits	315,855	104,156	0	420,011
Accrued SERS/STRS	45,156	51,57	45,156	51,576
	<u>\$ 988,585</u>	<u>\$ 179,186</u>	<u>\$ 255,137</u>	<u>\$ 912,634</u>

NOTE 8 - CAPITAL LEASE

The District has entered into a capitalized lease for equipment. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the combined financial statements for the governmental funds.

WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
 June 30, 2000

The general fixed assets, consisting of equipment, has been capitalized in the general fixed assets account group in the amount of \$610,000. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group.

The following is a schedule of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of June 30, 2000:

Year ending June 30, 2001	\$ 118,452
June 30, 2002	118,452
June 30, 2003	118,452
June 30, 2004	<u>115,691</u>
Minimum lease payments	471,047
Less: Amount representing interest at the District's incremental borrowing rate of interest	<u>53,454</u>
Present value of minimum lease payments	<u>\$ 417,593</u>

NOTE 9 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the District. The Lorain and Huron County Auditors are responsible for assessing and remitting these property taxes to the District.

Real property taxes are based on assessed value equal to thirty-five percent of appraisal value. The Lorain and Huron County Auditors reappraise real property every six years with a triennial update, which last update was completed for tax year 1994/1995 for Lorain and Huron Counties. Real property tax, which becomes a lien on the applicable real property, becomes due annually on December 31. However, in Lorain and Huron Counties, real property taxes are billed semi-annually, one year in arrears. The tax rate applied to real property collected in 2000 before certain homestead and rollback reductions, which reductions are reimbursed to the District by the State of Ohio, amounted to \$28.00 per \$1,000 of valuation for Lorain and Huron County, respectively. The effective rate applied after adjustment for inflationary increases in property values was \$20.00 per \$1,000 of assessed valuation for residential and agricultural real property, and \$22.69 and per \$1,000 of assessed valuation for other real property for Lorain and Huron County, respectively.

Tangible personal property used in business is required to be reported by its owners by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the current year ended December 31, 1999 was \$28.00 per \$1,000 of valuation for Lorain and Huron County.

WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
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The property valuation consisted of:

	<u>Lorain County</u>	<u>Huron County</u>
Real Property - 1999 Valuation		
Residential/Agricultural	\$ 87,398,930	\$ 2,991,180
Commercial/Industrial/Minerals	15,379,690	60,250
Public Utilities	81,530	1,760
Tangible Personal Property - 2000 Valuation		
General	15,479,240	12,200
Public Utilities	<u>9,172,530</u>	<u>103,000</u>
Total Valuation	<u>\$ 127,511,920</u>	<u>\$ 3,168,390</u>

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable at June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 is recognized as revenue. The amount available to the District as an advance at June 30, 2000, was \$460,382 from Lorain County and \$10,901 from Huron County.

NOTE 10 - PENSION PLANS

(A) *SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)*

The Wellington Exempted Village School District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple-employer public employee retirement defined benefit pension plan. SERS provides retirement, annual cost-of-living adjustments, disability, survivor, and health care benefits. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9% of their annual covered salary and Wellington Exempted Village School District is required to contribute at an actuarially determine rate. The current rate is 14% of annual covered payroll. The contribution requirement of plan members and Wellington Exempted Village School District are established and may be amended by the SERS Board of Trustees. The School District's contributions to SERS for the years ending June 30, 2000, 1999 and 1998 were \$145,098, \$130,560, and \$105,950, respectively; 67 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. The amount representing the unpaid contribution for fiscal year 2000, \$77,364 is recorded as a liability within the respective funds and the general long-term obligations account group.

(B) *STATE TEACHERS RETIREMENT SYSTEM (STRS)*

The Wellington Exempted Village School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple-employer public employee retirement defined benefit pension plan operated by the State of Ohio. STRS provides retirement, annual cost-of-living adjustments, disability, survivor, and health care benefits. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Plan members are required to contribute 9.3% of their annual covered salary and Wellington Exempted Village School District is required to contribute at an actuarially determine rate. The current rate is 14% of annual covered payroll. The contribution requirement of plan members and Wellington Exempted Village School District are established and may be amended by the STRS Board of Trustees. According to the union contract, the School District picks up 0%, 0%, and 8.75% of the employees contribution as of June 30, 2000, 1999, and 1998, respectively. The Wellington Exempted Village School District plan members contribute 9.3%, 9.3%, and .55% for the years ended 2000, 1999, and 1998, respectively, of their annual covered salary, while the District's contribution represents 14%, 14%, and 22.75%, respectively. The School District's contributions to STRS for the years ending June 30, 2000, 1999, and 1998 were \$652,332 \$592,668, and \$647,141, respectively; 83 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. The amount representing the unpaid contribution for fiscal year 2000, \$109,420 is recorded as a liability within the respective funds.

NOTE 11 - POSTEMPLOYMENT BENEFITS

(A) *SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)*

The Ohio Revised Code gives SERS the discretionary authority to provide post-retirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service, credit, disability, and survivor benefit recipients.

Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

After the allocation for basic benefits, the remainder of the employer's contribution is allocated to providing health care benefits. At June 30, 1999, (the latest information available) the allocation rate was 6.3%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 1999, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis.

The target level for the health care reserve is 150% of annual healthcare expenses. Expenses for healthcare at June 30, 1999 were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, the Retirement System's net assets available for payment of health care benefits was \$188.0 million, at cost. The number of participants currently receiving health care benefits is approximately 51,000. The portion employer contributions that were used to fund postemployment benefits was \$65,294.

(B) *STATE TEACHERS RETIREMENT SYSTEM (STRS)*

The State Teachers Retirement System of Ohio (STRS Ohio) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. All benefit recipient and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code (R.C.), the State Teachers Retirement Board (Board) has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The R.C. grants authority to STRS Ohio to provide health care coverage to benefit recipients, spouses, and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Board currently allocates employer contributions equal to 2% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. However, for the fiscal year ended June 30, 1999, the board allocated employer contributions equal to 8% of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2,783 million at June 30, 1999, (the latest information available). The Health Care Reserve Fund allocation for the year ended June 30, 2000, will be 8% of covered payroll. For the year ended June 30, 1999, the net health care costs paid by STRS were \$249,929,000. There were 95,796 eligible benefit recipients.

WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
 June 30, 2000

NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains enterprise funds to account for the operation of school food service, uniform school supplies, community education, and latchkey services. Segment information related to these follows:

	<u>Food Services</u>	<u>Latchkey</u>	<u>Uniform Supplies</u>	<u>Community Education</u>	<u>Total</u>
Operating Revenues	\$ 255,391	\$ 3,105	\$ 68,098	\$ 0	\$ 326,594
Operating Expenses:					
Salaries and wages	149,172	22,065	0	0	171,237
Fringe benefits	59,276	9,883	0	0	69,159
Purchased services	3,868	0	(741)	0	3,127
Materials and supplies	152,769	9,728	60,453	261	223,211
Depreciation	5,000	0	0	0	5,000
Capital Outlay	2,907	0	0	0	2,907
Other Operating Expenses	<u>568</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>568</u>
Total operating expenses	<u>373,560</u>	<u>41,676</u>	<u>59,712</u>	<u>261</u>	<u>475,209</u>
Operating income (loss)	(118,169)	(38,571)	8,386	(261)	(148,615)
Non-operating revenues, net	<u>94,789</u>	<u>36,346</u>	<u>0</u>	<u>0</u>	<u>131,135</u>
Income (Loss) before transfers	(23,380)	(2,225)	8,386	(261)	(17,480)
Operating transfers in	30	0	25,615	0	25,645
Operating transfers out	<u>0</u>	<u>(30)</u>	<u>(8)</u>	<u>0</u>	<u>(38)</u>
Net income (loss)	<u>\$ (23,350)</u>	<u>\$ (2,255)</u>	<u>\$ 33,993</u>	<u>\$ (261)</u>	<u>\$ 8,127</u>
Other information:					
Net working capital	<u>\$ 9,849</u>	<u>\$ (4,692)</u>	<u>\$ 3,000</u>	<u>\$ (77)</u>	<u>\$ 8,080</u>
Fixed assets, net	<u>\$ 13,322</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 13,322</u>
Total assets	<u>\$ 65,475</u>	<u>\$ (332)</u>	<u>\$ 3,000</u>	<u>\$ (77)</u>	<u>\$ 68,066</u>
Total equity (deficit)	<u>\$ 23,171</u>	<u>\$ (4,692)</u>	<u>\$ 3,000</u>	<u>\$ (77)</u>	<u>\$ 21,402</u>

NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization comprised of 30 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports LEECA based upon on per pupil charge dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. LEECA is governed by a board of directors chosen from the general membership of the LERC assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Lorain County Board of Education, which serves as fiscal agent, located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2000, the District paid approximately \$15,357 to LEECA for basic service charges.

NOTE 14 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District has a comprehensive property and casualty policy with Utica National Insurance Company. The deductible is \$500 per incident on property and \$500 per incident on equipment. All vehicles are also insured with Nationwide Insurance Company and have a \$250 deductible. All board members, administrators, and employees are covered under a school district liability policy with Nationwide Insurance Company. The limits of this coverage are \$1,000,000 per occurrence and \$5,000,000 per aggregate. The board president and superintendent have a \$20,000 position bond with Nationwide Mutual Insurance Company.

The treasurer is covered under a surety bond in the amount of \$20,000. This bond is provided by the Nationwide Mutual Insurance Company.

The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The District is a member of the Ohio School Board Association Group Rating System. This rate is calculated based on accident history and administrative costs. The group presently consists of over 400 school districts.

NOTE 15 - OTHER MATTERS

On March 24, 1998, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of it ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received \$4,206,389 of school foundation support all of which is recorded in the general fund.

WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
 June 30, 2000

Since the Supreme Court Ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the “thorough and efficient” clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, “...the mandate of the Ohio Constitution has not been fulfilled.” The Court’s majority recognized efforts by the Ohio General Assembly taken in response to the Court’s March 24, 1997, decision, however, it found seven “...major areas warrant further attention, study, and development by the General Assembly...,” including the State’s reliance on local property tax funding, the state’s basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State’s School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future state funding under this program and on its financial operations.

NOTE 16 - STATUTORY RESERVES

Substitute House Bill 412, as amended, required the District to “set aside” certain percentages of defined revenues for (1) textbook and instructional materials purchases, (2) capital and maintenance expenditures, and (3) to establish a budget reserve. It also required five year budget projections, amended the fiscal watch and fiscal emergency statutes, created a school district solvency fund, and amended “spending reserve” provisions. During the fiscal year June 30, 2000, the reserve activity (GAAP-Basis) was as follows:

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Set-Aside Cash Balance as of June 30, 1999	\$ 0	\$ 0	\$ 103,945	\$ 103,945
Current Year Set-Aside Requirement	207,499	207,499	69,166	484,164
Qualifying Disbursements	<u>(310,342)</u>	<u>(991,355)</u>	<u>0</u>	<u>(1,301,697)</u>
Total	<u>\$ (102,843)</u>	<u>\$ (783,856)</u>	<u>\$ 173,111</u>	<u>\$ (713,588)</u>
Cash Balance Carried Forward FY 2000	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 173,111</u>	
Amount Restricted for Set-Asides				<u>\$ 173,111</u>
Total Restricted Assets				<u>\$ 173,111</u>

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

September 15, 2000

The Board of Education
Wellington Exempted Village School District
Wellington, Ohio 44090

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the general purpose financial statements of Wellington Exempted Village School District as of and for the year ended June 30, 2000, and have issued our report thereon dated September 15, 2000. We have conducted our audit in accordance with generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Wellington Exempted Village School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Wellington Exempted Village School District in a separate letter dated September 15, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wellington Exempted Village School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design of operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Wellington Exempted Village School District in a separate letter dated September 15, 2000.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hea & Associates, Inc.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

September 15, 2000

The Board of Education
Wellington Exempted Village School District
Wellington, Ohio 44090

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of Wellington Exempted Village School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. Wellington Exempted Village School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Wellington Exempted Village School District's management. Our responsibility is to express an opinion on Wellington Exempted Village School District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circulars A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wellington Exempted Village School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Wellington Exempted Village School District's compliance with those requirements.

In our opinion, Wellington Exempted Village School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

Internal Control Over Compliance

The management of Wellington Exempted Village School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Wellington Exempted Village School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards - Non GAAP Budgetary Basis

We have audited the general purpose financial statements of Wellington Exempted Village School District as of and for the year ended June 30, 2000, and have issued our report thereon dated September 15, 2000. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements of Wellington Exempted Village School District. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended solely for the information of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.

WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - NON-GAAP BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements	Non-Cash Disbursements
U. S. Department of Education					
(Passed Through State Department of Education):					
Title 1	84.010	C1-S1-00	\$ 106,354	91,859	\$ 0
Title 1	84.010	C1-S1-99	104,462	45,990	0
Title 1	84.010	C1-S1-98C	6,397	6,397 (C)	0
Title 1	84.010	C1-S1-98	<u>98,751</u>	<u>0</u>	<u>0</u>
<i>Total Title 1</i>			315,964	144,246	0
Title VI-B	84.027	6B-SF-00P	50,376	56,271	0
Title VI-B	84.027	6B-SF-99P	43,389	12,866	0
Title VI-B	84.027	6B-SF-98P	<u>42,336</u>	<u>0</u>	<u>0</u>
<i>Total Title VI-B</i>			136,101	69,138	0
Title VI	84.298	C2-S1-00	2,264	0	0
Title VI	84.298	C2-S1-99	<u>0</u>	<u>1,333</u>	<u>0</u>
<i>Total Title VI</i>			2,264	1,333	0
Eisenhower Grant	84.281	MS-S1-00	1,874	474	0
Eisenhower Grant	84.281	MS-S1-99	0	0	0
Eisenhower Grant	84.281	MS-S1-98C	<u>0</u>	<u>4,782 (C)</u>	<u>0</u>
<i>Total Eisenhower Grant</i>			1,874	5,256	0
Drug Free Schools	84.186	DR-S1-00	2,018	3,679	0
Drug Free Schools	84.186	DR-S1-99	<u>0</u>	<u>2,460</u>	<u>0</u>
<i>Total Drug Free Schools</i>			2,018	6,139	0
Class Reduction Grant	84.340	CR-S1-00	<u>8,341</u>	<u>0</u>	<u>0</u>
Total U.S. Department of Education			466,563	226,112	0
U. S. Department of Agriculture					
(Passed Through State Department of Education):					
Nutrition Cluster:					
Food Distribution Program (A)	10.550		27,808	0	27,644
National School Lunch Program (B)	10.555		<u>88,253</u>	<u>88,253</u>	<u>0</u>
Total U.S. Department of Agriculture: Nutrition Cluster			<u>116,061</u>	<u>88,253</u>	<u>27,644</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ <u>582,624</u>	\$ <u>314,365</u>	<u>27,644</u>

- (A) Government commodities are reported at the fair market value of the commodities received and disbursed.
- (B) Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.
- (C) Carryover grant

**WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 , SECTION .505
JUNE 30, 2000**

1. SUMMARY OF AUDITOR'S RESULTS

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non- compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list):	Title I, CFDA #84.010 Title VI-B, CFDA #84.027
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	No

2. FINDINGS RELATING TO THE FINANCIAL STATEMENTS

None noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted

WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2000

1999 – FINDING 99-1:

Wellington Exempted Village School District's Treasurer's office does not reconcile cash on a monthly basis. During our audit several instances were noted where receipts were being recorded months after being received by the district. Also, numerous adjustments were noted at 6-30-99 to the District's revenue accounts.

Current Status: Corrective action was taken by the District and no similar findings were noted in the 2000 audit.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 26, 2000**