



**WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2005



Mary Taylor, CPA
Auditor of State

**WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Wellington Exempted Village School District, Lorain County, Ohio, (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of the Wellington Exempted Village School District, Lorain County, Ohio, as of June 30, 2005, and the respective changes in financial position and the respective budgetary comparisons for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquires of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards receipts and expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards receipts and expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 16, 2007

Wellington Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)*

The discussion and analysis of the Wellington Exempted Village School District's (the School District's) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key Financial Highlights for 2005 are as follows:

- General Revenues accounted for \$11.4 million in revenue or 83% of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions accounted for approximately \$2.3 million or 17% of total revenues of \$13.7 million.
- Total program expenses were \$13.8 million in Governmental Activities.
- In total, net assets of Governmental Activities decreased \$67,884, which represents a 1% decrease from 2004.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* excluding fiduciary funds using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the School District activities are listed as Governmental:

- Governmental Activities – All of the School District's programs and services are reported here, including instruction, support services, operation of non-instructional services, uniform supplies, food service operation, latchkey, interest charges and extracurricular activities.

Wellington Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the General Fund.

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

Fiduciary Funds - These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting for the fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statement begins on page 17.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 18.

Wellington Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2005 compared to 2004:

(Table 1)
Net Assets

	Governmental Activities	
	2005	2004
Assets		
Current and Other Assets	\$ 6,933,828	\$ 6,817,329
Capital Assets	4,480,788	4,529,376
Total Assets	11,414,616	11,346,705
Liabilities		
Long-Term Liabilities	491,260	424,141
Other Liabilities	5,078,524	5,009,848
Total Liabilities	5,569,784	5,433,989
Net Assets		
Invested in Capital		
Assets Net of Related Debt	4,429,423	4,529,376
Restricted	239,536	185,863
Unrestricted (Deficit)	1,175,873	1,197,477
Total Net Assets	\$ 5,844,832	\$ 5,912,716

Total net assets decreased by \$67,884. No individual significant event was evident to suggest primary cause of this decrease.

Wellington Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)

Table 2 shows the changes in net assets for fiscal year 2005 and 2004. This will enable the reader to draw further conclusion about the District's financial status and possibly project future problems.

(Table 2)
Changes in Net Assets

	Governmental Activities	
	2005	2004
<i>Program Revenues:</i>		
Charges for Services and Sales	\$ 1,056,185	\$ 766,777
Operating Grants and Contributions	1,271,633	515,289
<i>General Revenue:</i>		
Property Taxes	5,479,773	4,774,185
Grants and Entitlements	5,673,739	6,122,808
Other	224,516	143,506
<i>Total Revenues</i>	<u>13,705,846</u>	<u>12,322,565</u>
<i>Program Expenses:</i>		
Instruction	7,381,218	7,154,997
Support Services	5,281,284	5,356,732
Operation of Non-Instructional Services	6,428	5,407
Extracurricular Activities	434,776	422,686
Interest and Fiscal Charges	3,351	5,599
Food Service Operations	550,779	431,326
Uniform School Supplies	66,188	71,317
Latchkey	49,706	48,729
<i>Total Expenses</i>	<u>13,773,730</u>	<u>13,496,793</u>
Increase (Decrease) in Net Assets	(67,884)	(1,174,228)
Net Assets Beginning of Year	<u>5,912,716</u>	<u>7,086,944</u>
Net Assets End of Year	<u><u>\$ 5,844,832</u></u>	<u><u>\$ 5,912,716</u></u>

Revenue increased approximately 10%, due to increase of funds in ADA Project Fund and Special Education Aid. The increase in expenses was 2%, which is immaterial.

Wellington Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental activity had total revenues of \$13.7 million and expenses of \$13.8 million.

(Table 3)
Governmental Activities

	2005		2004	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 7,381,218	\$ (6,236,341)	\$ 7,154,997	\$ (6,755,870)
Support Services:				
Pupil and Instructional Staff	1,151,808	(883,883)	1,049,699	(1,006,999)
Board of Education, Administration Fiscal and Business	1,814,538	(1,737,628)	1,746,846	(1,667,945)
Operation and Maintenance of Plant	1,377,485	(1,347,155)	1,638,901	(1,607,501)
Pupil Transportation and Central	937,453	(908,986)	921,286	(907,938)
Operation of non-instructional service	6,428	(5,841)	5,407	(5,407)
Extracurricular Activities	434,776	(250,425)	422,686	(215,349)
Interest Charges	3,351	(3,351)	5,599	(5,599)
Food Service Operations	550,779	(20,960)	431,326	5,742
Uniform School Supplies	66,188	(5,031)	71,317	(2,392)
Latchkey	49,706	(46,311)	48,729	(45,469)
Total	\$ 13,773,730	\$ (11,445,912)	\$ 13,496,793	\$ (12,214,727)

Instruction and Student Support Services comprise 92% of governmental program expenses. Pupil transportation and the operation/maintenance of plant account for 17% of governmental program expenses.

The dependence upon tax revenues for governmental activities is apparent. The community, as a whole, is by far the primary support for the School District students.

General Fund Budgeting Highlights

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

During the course of fiscal year 2005, there were minor immaterial changes to the School District's total General Fund budget. The School District uses site-based budgeting and the budgeting system which are designed to tightly control total site budgets but provide flexibility for site management.

Wellington Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)

For the General Fund, the final budget basis revenue was nearly \$11.7 million, which was approximately \$.6 million over the final budget estimates of nearly \$11.1 million. This difference is immaterial.

The final expenditure budget amount of nearly \$11.9 million were approximately \$.6 million lower than the approximately \$12.5 million in the original budget, due to decreasing expenditures as much as possible during the fiscal year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the School District had \$4.5 million invested in land, buildings, equipment, library, and textbooks. Table 4 shows fiscal year 2005 and 2004 balances net of depreciation.

(Table 4)
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2005	2004
Land	\$ 1,430,520	\$ 1,430,520
Land Improvements	333,916	333,570
Buildings and Improvements	1,944,713	2,032,698
Furniture and Equipment	262,007	211,861
Vehicles	509,632	520,727
Totals	\$ 4,480,788	\$ 4,529,376

The \$48,588 decrease in capital assets was attributed to depreciation expense and disposals exceeding additional purchases. See Note #9 of the basic financial statements for additional information.

Debt

At year-end the School District had only capitalized leases and compensated absences as debt. Lease obligations outstanding at year-end total \$51,265, which are for copier equipment scheduled to mature during fiscal year 2010. See Note 14 of the basic financial statements for detail on the School District's long-term obligations.

Wellington Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
(Unaudited)

Current Issues

Wellington Exempted Village School District receives approximately 53% of its revenue from the State. The School District also relies on local property taxpayers for funding. Future projections show only slight increases in revenue from each source over the next five years.

The five-year forecast projects a deficit in fiscal year 2008. In November 2004, the School District put a \$7.83 mills Emergency School Levy on the ballot to maintain a constant level of service and to provide for needed building and grounds repairs. The levy failed.

The School District has taken several steps to deal with the projected revenue deficit including various cost cutting measures such as reducing staffing, professional leave, School District paid field trips and reinstating the "pay-to-participate" fee. The School District placed a \$3.94 mill Permanent Improvement Levy before voters in May 2005, the levy failed.

The School District placed a 3 year \$3.95 Permanent Improvement Levy on the ballot in November 2005, the levy passed.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Suzanne Wilson, Treasurer of Wellington Exempted Village School District, 201 South Main Street, Wellington, OH 44090.

Wellington Exempted Village School District

Statement of Net Assets

June 30, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 2,417,511
Receivables:	
Property Taxes	3,811,755
Income Taxes	601,516
Intergovernmental	103,046
Nondepreciable Capital Assets	1,430,520
Depreciable Capital Assets (Net)	<u>3,050,268</u>
<i>Total Assets</i>	<u>11,414,616</u>
Liabilities	
Accounts Payable	40,996
Accrued Wages and Benefits	1,265,104
Vacation Benefits Payable	29,374
Mature Compensated Absences Payable	95,189
Intergovernmental Payable	341,011
Unearned Revenue	2,926,570
Claims Payable	380,280
Long Term Liabilities:	
Due Within One Year	108,247
Due Within More Than One Year	<u>383,013</u>
<i>Total Liabilities</i>	<u>5,569,784</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	4,429,423
Restricted for:	
Capital Projects	140,234
Debt Service	31
Other Purposes	99,271
Unrestricted	<u>1,175,873</u>
<i>Total Net Assets</i>	<u>\$ 5,844,832</u>

See accompanying notes to the basic financial statements.

Wellington Exempted Village School District

Statement of Activities

For the Fiscal Year Ended June 30, 2005

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
Instruction:				
Regular	\$ 6,158,440	\$ 421,508	\$ 102,676	\$ (5,634,256)
Special	692,002	0	620,693	(71,309)
Vocational	95,595	0	0	(95,595)
Other	435,181	0	0	(435,181)
Support Services:				
Pupils	527,111	0	0	(527,111)
Instructional Staff	624,697	0	267,925	(356,772)
Board of Education	69,245	0	0	(69,245)
Administration	1,341,161	66,856	9,905	(1,264,400)
Fiscal and Business	404,132	0	149	(403,983)
Operation and Maintenance of Plant	1,377,485	0	30,330	(1,347,155)
Pupil Transportation	749,475	23,616	0	(725,859)
Central	187,978	0	4,851	(183,127)
Operation of Non-Instructional Services	6,428	0	587	(5,841)
Food Service Operations	550,779	295,302	234,517	(20,960)
Uniform School Supplies	66,188	61,157	0	(5,031)
Latchkey	49,706	3,395	0	(46,311)
Extracurricular Activities	434,776	184,351	0	(250,425)
Debt Service:				
Interest and Fiscal Charges	3,351	0	0	(3,351)
Totals	\$ 13,773,730	\$ 1,056,185	\$ 1,271,633	(11,445,912)

General Revenues

Property Taxes Levied for:

General Purposes	5,479,773
Grants and Entitlements not Restricted to Specific Programs	5,673,739
Investment Earnings	41,412
Miscellaneous	183,104

Total General Revenues 11,378,028

Change in Net Assets (67,884)

Net Assets Beginning of Year, as Restated (See Note 3) 5,912,716

Net Assets End of Year \$ 5,844,832

See accompanying notes to the basic financial statements.

Wellington Exempted Village School District

Balance Sheet

Governmental Funds

June 30, 2005

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 1,973,251	\$ 408,135	\$ 2,381,386
Cash and Cash Equivalents:			
Restricted Cash	36,125	0	36,125
Receivables:			
Property Taxes	3,811,755	0	3,811,755
Income Taxes	601,516	0	601,516
Interfund	62,313	0	62,313
Intergovernmental	0	103,046	103,046
<i>Total Assets</i>	<u>\$ 6,484,960</u>	<u>\$ 511,181</u>	<u>\$ 6,996,141</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 29,574	\$ 11,422	\$ 40,996
Accrued Wages and Benefits	1,161,957	103,147	1,265,104
Vacation Benefits Payable	29,374	0	29,374
Mature Compensated Absences Payable	95,189	0	95,189
Interfund Payable	0	62,313	62,313
Intergovernmental Payable	311,073	29,938	341,011
Deferred Revenue	2,997,455	92,143	3,089,598
Claims Payable	380,280	0	380,280
<i>Total Liabilities</i>	5,004,902	298,963	5,303,865
Fund Balances			
Fund Balance:			
Reserved for Encumbrances	44,520	4,850	49,370
Reserved for Property Taxes	814,300	0	814,300
Reserved for Budget Stabilization	36,125	0	36,125
Unreserved:			
Undesignated, Unreserved Reported in:			
General Fund	585,113	0	585,113
Special Revenue Funds	0	67,103	67,103
Debt Service Fund	0	31	31
Capital Projects Funds	0	140,234	140,234
<i>Total Fund Balances</i>	<u>1,480,058</u>	<u>212,218</u>	<u>1,692,276</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 6,484,960</u>	<u>\$ 511,181</u>	<u>\$ 6,996,141</u>

See accompanying notes to the basic financial statements.

Wellington Exempted Village School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets Governmental Activities
 June 30, 2005*

Total Governmental Fund Balances	\$	1,692,276
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*Amounts reported for governmental activities in the
 statement of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		4,480,788
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Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.

Grants	92,143	
Delinquent Property Taxes	70,885	163,028

Long-term liabilities, including capital leases, are not due and payable in the current period and therefore, are not reported in the funds.

Capital Lease Payable	(51,365)	
Compensated Absences	(439,895)	(491,260)

Net Assets of Governmental Activities:	\$	<u><u>5,844,832</u></u>
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See accompanying notes to the basic financial statements.

Wellington Exempted Village School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2005

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 5,471,439	\$ 0	\$ 5,471,439
Intergovernmental	6,156,322	942,969	7,099,291
Investment Income	41,412	0	41,412
Tuition and Fees	190,131	69,377	259,508
Extracurricular Activities	36,750	274,974	311,724
Charges for Services	0	295,302	295,302
Miscellaneous	82,445	100,659	183,104
<i>Total Revenues</i>	11,978,499	1,683,281	13,661,780
Expenditures:			
Current:			
Instruction:			
Regular	5,588,265	111,088	5,699,353
Special	685,612	329,836	1,015,448
Vocational	130,045	345	130,390
Other	440,805	0	440,805
Support Services:			
Pupils	530,574	1,093	531,667
Instructional Staff	396,742	224,474	621,216
Board of Education	69,245	0	69,245
Administration	1,253,728	84,263	1,337,991
Fiscal and Business	408,577	71	408,648
Operation and Maintenance of Plant	1,478,858	1,344	1,480,202
Pupil Transportation	640,799	24,118	664,917
Central	111,675	2,307	113,982
Operation of Non-Instructional Services	1,236	5,192	6,428
Food Service Operations	0	553,363	553,363
Uniform School Supplies	0	66,188	66,188
Latchkey	0	50,729	50,729
Extracurricular Activities	236,489	184,556	421,045
Capital Outlay	85,077	139,536	224,613
Debt Service:			
Principal Retirement	8,009	0	8,009
Interest and Fiscal Charges	3,351	0	3,351
<i>Total Expenditures</i>	12,069,087	1,778,503	13,847,590
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	(90,588)	(95,222)	(185,810)
Other Financing Sources (Uses):			
Inception of Capital Lease	59,374	0	59,374
Transfers In	0	14,729	14,729
Transfers Out	(14,729)	0	(14,729)
<i>Total Financing Sources and (Uses)</i>	44,645	14,729	59,374
<i>Net Change in Fund Balance</i>	(45,943)	(80,493)	(126,436)
<i>Fund Balance (Deficit) at Beginning of Year, as Restated (See Note 3)</i>	1,526,001	292,711	1,818,712
<i>Fund Balance (Deficit) at End of Year</i>	\$ 1,480,058	\$ 212,218	\$ 1,692,276

See accompanying notes to the basic financial statements.

Wellington Exempted Village School District
Reconciliation of the Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds	\$	(126,436)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Asset Additions	213,452	
Current Year Depreciation	<u>(226,393)</u>	(12,941)

Net effect of transactions involving sale of capital assets are not reflected in the funds.		(35,647)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Inception of Capital Leases	(59,374)	
Grants	35,732	
Delinquent Property Taxes	<u>8,334</u>	(15,308)

Repayment of capital leases are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Capital Leases		8,009
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Some expenses reported in the statement of activities do not use current financial resources and therefore, are not reported as expenditures in governmental funds.

Increase in Compensated Absences	(15,754)	
Decrease in Pension Obligation	<u>130,193</u>	<u>114,439</u>

Change in Net Assets of Governmental Activities	\$	<u>(67,884)</u>
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See accompanying notes to the basic financial statements.

Wellington Exempted Village School District
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 3,822,159	\$ 3,940,239	\$ 5,053,064	\$ 1,112,825
Intergovernmental	6,739,630	7,191,136	6,156,322	(1,034,814)
Investment Income	45,336	48,373	41,412	(6,961)
Tuition and Fees	208,146	222,090	190,131	(31,959)
Extracurricular Activities	40,232	42,927	36,750	(6,177)
Miscellaneous	90,257	96,303	82,445	(13,858)
<i>Total Revenues</i>	<u>10,945,760</u>	<u>11,541,068</u>	<u>11,560,124</u>	<u>19,056</u>
Expenditures:				
Current				
Instruction	7,479,524	7,120,561	7,182,426	(61,865)
Support Services				
Pupils	554,602	527,957	530,991	(3,034)
Instructional Staff	377,414	359,352	359,695	(343)
Board of Education	72,073	68,605	69,057	(452)
Administration	1,228,043	1,169,139	1,176,686	(7,547)
Fiscal and Business	393,838	375,209	371,060	4,149
Operation and Maintenance of Plant	1,333,010	1,273,205	1,215,447	57,758
Pupil Transportation	646,276	616,490	603,394	13,096
Central	107,623	102,445	103,119	(674)
Operation of Non-Instructional Services	813	774	779	(5)
Extracurricular Activities	246,816	234,940	236,487	(1,547)
Capital Outlay	27,852	26,561	25,703	858
<i>Total Expenditures</i>	<u>12,467,884</u>	<u>11,875,238</u>	<u>11,874,844</u>	<u>394</u>
Excess of Revenues Over (Under) Expenditures	(1,522,124)	(334,170)	(314,720)	19,450
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	5,627	6,004	5,140	(864)
Advances In	134,696	143,719	123,038	(20,681)
Advances Out	(40,226)	(38,291)	(38,543)	(252)
Transfers In	7,214	7,698	6,590	(1,108)
Transfers Out	(22,250)	(21,180)	(21,319)	(139)
<i>Total Other Financing Sources (Uses)</i>	<u>85,061</u>	<u>97,950</u>	<u>74,906</u>	<u>(23,044)</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(1,437,063)</u>	<u>(236,220)</u>	<u>(239,814)</u>	<u>(3,594)</u>
<i>Fund Balance (Deficit) at Beginning of Year</i>	2,025,901	2,025,901	2,025,901	0
Prior Year Encumbrances Appropriated	150,435	150,435	150,435	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 739,273</u>	<u>\$ 1,940,116</u>	<u>\$ 1,936,522</u>	<u>\$ (3,594)</u>

See accompanying notes to the basic financial statements.

Wellington Exempted Village School District
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2005

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 37,700</u>
Liabilities	
Undistributed Monies	<u>\$ 37,700</u>

See accompanying notes to the basic financial statements.

Wellington Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

Note 1 - Description of the School District

The Wellington Exempted Village School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is an exempted village district as defined by Section 3311.04 of the Ohio Revised Code. The School District operates under a locally-elected five member board form of government and provides educational services as authorized and mandated by state and federal agencies. Average daily membership on, or as of, October 1, 2004, was 1,621. The School District employs 102 certificated and 63 non-certificated employees.

Reporting Entity

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

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

The following entities, which perform activities within the School District's boundaries for the benefit of its residents, are excluded from the accompanying financial statements because the School District is not financially accountable for these entities, nor are they fiscally dependent on the District.

Lake Erie Educational Computer Association The School District participates in the Lake Erie Educational Computer Association (LEECA). LEECA provides data services needed by the participating school districts. This is a jointly governed organization. The District's participation is disclosed in Note 17 to the financial statements.

Lake Erie Regional Council The Lake Erie Regional Council (LERC) promotes cooperative agreements to its members in dealing with problems of mutual concern. This is a jointly governed organization. The School District's participation is disclosed in Note 17 to the financial statements.

Lorain County Joint Vocational School District The Lorain County Joint Vocational School District is a separate body politic and corporate, established by the Ohio Revised Code to provide for vocational and special education needs of the students. The Board of the Lorain County Joint Vocational School District is comprised of representatives from each participating school district and is responsible for approving its own budgets, appointing personnel, and accounting and financing related activities. The Wellington Exempted Village School District's students may attend the Lorain County Joint Vocational School District. This is a jointly governed organization. The School District's participation is disclosed in Note 17 to the financial statements.

Wellington Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

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

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental type activities provided they do not conflict with or contradict GASB pronouncements. For the year ended June 30, 2005, the School District has implemented GASB Statement No. 40 "*Deposit and Investment Risk Disclosures*". There was no significant effect on fund balance as a result of this implementation. The most significant of the School District's accounting policies are described below.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets 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 assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds

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

Fund Financial Statements During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental 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.

B. Fund Accounting

The School District uses funds 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. The various funds of the School District are grouped into the categories of governmental and fiduciary.

Wellington Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

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

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

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

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

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All non-fiduciary assets and all liabilities associated with the operation of the School District are included on the statement of net assets.

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

Fiduciary funds are reported using the economic resources measurement focus and are excluded from the government-wide financial statements.

D. Basis of Accounting

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

Wellington Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred/Unearned Revenue Deferred/unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred/unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred/unearned revenue. The fair value of donated commodities used during the year is reported in the fund financial statements as intergovernmental revenue and an expenditure of food service operations. In addition, this amount is reported on the statement of activities as an expense with a like amount reported within the "Operating Grants and Contributions" program revenue account.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

Wellington Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

The School District also had invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2005. STAROhio is an investment pool managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio’s share price, which is the price the investment could be sold for on June 30, 2005.

For presentation on the financial statements, investments of the cash management pool and investments with maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the General Fund during fiscal year 2005 amounted to \$41,412, which includes \$7,218 from other District funds.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets may include amounts required by statute to be set aside for budget stabilization, the purchase of textbooks and capital improvements. See Note 19 for additional information regarding set-asides and restricted assets.

G. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$1,500. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 Years
Buildings and Improvements	10 - 50 Years
Furniture and Equipment	5 - 20 Years
Vehicles	8 Years
Library and Textbooks	6 Years

Wellington Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

H. Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. These amounts are recorded as vacation benefits payable in the basic financial statements.

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

The entire compensated absence liability is reported on the government-wide financial statements.

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources.

I. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Capital leases are recognized as a liability on the fund financial statements when due.

J. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes primarily include instruction of students and extracurricular activities.

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

K. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves are established for encumbrances, property taxes and budget stabilization.

Wellington Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

L. Interfund Activity

Transfers between governmental activities on the government-wide statements are eliminated. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. On the fund financial statements, receivables and payables resulting from short-term interfund loans and unpaid amounts for interfund services are classified as "interfund receivables/payables".

M. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2005.

N. Estimates

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

O. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, 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 amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2005.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

Wellington Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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. On fund financial statements, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on government-wide financial statements.

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

Note 3 - Restatement of Fund Balances/Net Assets

Restatement of Prior Year Fund Balance During the fiscal year ending June 30, 2005, it was noted that an error was made in the use of information to determine the amount of fiscal year 2004 property taxes receivable that was available as an advance at June 30, 2004. Due to the error in this estimate, the effect on fund and net asset balances, are summarized below:

	<u>General</u>	<u>Nonmajor Funds</u>	<u>Governmental Activities Total</u>
Fund Balances, June 30, 2004	\$ 1,803,714	\$ 292,711	\$ 2,096,425
Restatement - Property taxes available as an advance	<u>(277,713)</u>	<u>0</u>	<u>(277,713)</u>
Restated Fund Balances, June 30, 2004	<u>\$ 1,526,001</u>	<u>\$ 292,711</u>	<u>\$ 1,818,712</u>

	<u>Governmental Activities</u>
Net Assets, June 30, 2004	\$ 6,190,429
Restatement - Property taxes available as an advance	<u>(277,713)</u>
Adjusted Net Assets, June 30, 2004	<u>\$ 5,912,716</u>

Note 4 - Fund Deficits

Fund balances/net assets at June 30, 2005 included the following individual fund deficits:

	<u>Deficits</u>	
	<u>Net Assets</u>	<u>Fund Balance</u>
Nonmajor Governmental Funds:		
Food Service Operations	\$ 78,916	\$ 78,916
Latchkey	2,500	2,500
Intervention Activities	408	4,337
Title VI-B	1,730	65,297
Title I	0	23,588

The deficits in these governmental funds resulted from adjustments for accrued liabilities. The General Fund is liable for any deficit in these funds and will provide transfers when cash is required, not when accruals occur.

Wellington Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Note 5 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the General Fund.

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$ (45,943)
Net Adjustment for Revenue Accruals	(342,981)
Net Adjustment for Expenditure Accruals	221,965
Adjustment for Encumbrances	<u>(72,855)</u>
Budget Basis	<u>\$ (239,814)</u>

Note 6 - Deposits and Investments

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

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

Inactive deposits are public deposits 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 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.

Wellington Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

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 may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement:

1. United States Treasury bills, notes, bonds, or any other obligations 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 other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and the term of agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25 % of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Wellington Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of School District cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Deposits - At fiscal year-end, the carrying amount of the School District's deposits was \$553,700 and the bank balance was \$772,848. Of the bank balance:

1. \$200,000 was covered by federal depository insurance.
2. \$572,848 was covered by collateral held by a qualified third party trustee not in the name of Wellington Exempted Village School District.

Investments - Investments are reported at fair value. As of June 30, 2005, the School District had the following investments:

	<u>Fair Value</u>	<u>Investment Maturities 0-6 Months</u>
STAROhio	<u>1,901,511</u>	<u>1,901,511</u>
	<u>\$ 1,901,511</u>	<u>\$ 1,901,511</u>

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's policy indicates that investments must mature within five years, unless matched to a specific obligation or debt of the School District.

Credit Risk – The School District's investments at June 30, 2005 in STAROhio are rated AAAM by Standard & Poor's.

Concentration of Credit Risk –The School District places no limit on the amount the School District may invest in any one issuer. The only investment during the year was in STAROhio.

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at 35% of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Wellington Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at 35% of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at 25% of true value for capital assets and 23% of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Lorain and Huron Counties. The county auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred/unearned revenue.

The amount available as an advance at June 30, 2005, was \$814,300 in the General Fund, the amount available as an advance at June 30, 2004, was \$458,386 in the General Fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred, since it has not been received within the available period.

The assessed values upon which the fiscal year 2005 taxes were collected are:

	Lorain County		Huron County	
	2005 First Half Collections	2004 Second Half Collections	2005 First Half Collections	2004 Second Half Collections
Agricultural/Residential and Other Real Estate	\$ 159,028,500	\$ 147,406,050	\$ 5,270,240	\$ 4,894,510
Public Utility	104,410	96,910	103,090	1,090
Tangible Personal Property	19,434,405	26,264,640	113,010	111,490
	<u>\$ 178,567,315</u>	<u>\$ 173,767,600</u>	<u>\$ 5,486,340</u>	<u>\$ 5,007,090</u>

Wellington Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

Note 8 - Receivables

Receivables at June 30, 2005 consisted of taxes, intergovernmental grants and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

<u>Fund</u>	<u>Amount</u>
Intervention Activities	\$ 3,929
Title VI-B	63,567
Title I	35,550
Total Intergovernmental Receivable	<u>\$ 103,046</u>

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2005 was as follows:

	<u>Balance</u>				<u>Balance</u>
	6/30/04	<u>Additions</u>	<u>Reductions</u>		6/30/05
Governmental Activities					
<i>Capital Assets, not being depreciated:</i>					
Land	\$ 1,430,520	\$ 0	\$ 0		\$ 1,430,520
<i>Capital Assets, being depreciated:</i>					
Land Improvements	660,364	21,700	0		682,064
Buildings and Improvements	5,632,419	0	0		5,632,419
Furniture and Equipment	642,433	107,291	(25,932)		723,792
Vehicles	595,483	84,461	(23,434)		656,510
Library and Text Books	546,845	0	0		546,845
Total Capital Assets, being depreciated	<u>8,077,544</u>	<u>213,452</u>	<u>(49,366)</u>		<u>8,241,630</u>
Less Accumulated Depreciation:					
Land Improvements	(326,794)	(21,354)	0		(348,148)
Buildings and Improvements	(3,599,721)	(87,985)	0		(3,687,706)
Furniture and Equipment	(430,572)	(42,003)	10,790		(461,785)
Vehicles	(74,756)	(75,051)	2,929		(146,878)
Library and Text Books	(546,845)	0	0		(546,845)
Total Accumulated Depreciation	<u>(4,978,688)</u>	<u>(226,393)</u>	<u>13,719</u>		<u>(5,191,362)</u>
Total Capital Assets being depreciated, net	<u>3,098,856</u>	<u>(12,941)</u>	<u>(35,647)</u>		<u>3,050,268</u>
Governmental Activities Capital					
Assets, Net	<u>\$ 4,529,376</u>	<u>\$ (12,941)</u>	<u>\$ (35,647)</u>		<u>\$ 4,480,788</u>

Wellington Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 114,896
Special	2,312
Vocational	643
Support Services:	
Pupil	316
Instructional Staff	1,173
Administration	8,458
Fiscal	2,471
Central	75,050
Pupil Transportation	1,103
Extracurricular Activities	13,731
Food Service Operations	6,240
	<u>\$ 226,393</u>

Note 10 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The School District has a comprehensive property and casualty policy with Harcum-Schuett Agency, Inc.. The deductible is \$2,500 per incident on property and \$1,000 per incident on equipment. All vehicles are also insured with the Harcum-Schuett Agency, Inc. and have a \$1,000 deductible. All board members, administrators, and employees are covered under a school district liability policy with Harcum-Schuett Agency, Inc.. The limits of this coverage are \$1,000,000 per occurrence and \$3,000,000 per aggregate. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year. All the board members and the superintendent have a \$20,000 position bond with the St. Pauls Travelers Company.

The treasurer is covered under a surety bond in the amount of \$20,000. This bond is provided by the St. Pauls Traveler Company.

B. Workers' Compensation

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

C. Employee Medical Benefits

The School District has contracted with the Lake Erie Regional Council of Governments (LERC) to provide employee health and medical benefits. The LERC is a claims-servicing pool comprised of approximately ten Lorain County school districts. Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow or individual

Wellington Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

account balance. Upon termination, the terminating school district would be liable for all outstanding claims beyond their individual balance. The LERC Board of Directors has the right to return monies to an existing district subsequent to the settlement of all expenses and claims.

This plan provides a medical/surgical plan with deductibles in-network of \$100 for single and \$200 for family coverage, and deductibles out-of-network of \$200 for single and \$400 for family coverage. The LERC's pool premiums are billed to each participating school district based on actuarially determined rates. Should contributions prove to be insufficient to pay program costs of the insurance program in any given year, each participating member is notified of their deficiency and their premium is adjusted to cover its share of the additional cost of anticipated future claims.

The claim liability of \$380,280 reported at June 30, 2005 was estimated by LERC and is based on the requirements of Governmental Standards Board Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs related to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the balance of claims liability during the year ended June 30, 2005 and 2004 are summarized below. Incurred claims and claims payments are not segregated between current and prior year's claims due to the impracticability of obtaining such information.

	2005	2004
Unpaid claims, beginning of year	\$ 334,243	\$ 302,900
Incurred claims	1,389,281	1,655,139
Claims payments	(1,343,244)	(1,623,796)
Unpaid claims, end of year	<u>\$ 380,280</u>	<u>\$ 334,243</u>

Note 11 - Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions to SERS for the fiscal years ended June 30, 2005, 2004 and 2003 were \$252,360, \$236,364, and \$203,556, respectively; 64% has been contributed for fiscal year 2005 and 100% for fiscal years 2004 and 2003.

Wellington Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement, disability benefits, and cost-of-living adjustments to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan members may retire after five years of service at age 60; 25 years of service at age 55; or 30 years of service regardless of age. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the desired benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60. The DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2005, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$790,383, \$812,448, and \$757,176, respectively; 83% has been contributed for fiscal year 2005 and 100% for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$7,234 made by the School District and \$19,934 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2005, all members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

Wellington Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

Note 12 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate; currently 14% of covered payroll. For the fiscal year ended June 30, 2004, (the latest information available) the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$56,456 during the 2005 fiscal year.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, (the latest information available) the health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to 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 14% contribution is allocated to providing health care benefits. For the fiscal year, ended June 30, 2005, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, (the latest information available) the minimum pay has been established at \$24,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$32,095.

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. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, (the latest information available) were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, (the latest information available), SERS had net assets available for payment of health care benefits of \$300.8 million. SERS had approximately 62,000 participants currently receiving health care benefits.

Wellington Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

Note 13 - Other Employee Benefits

A. Life Insurance

The School District provides term life insurance to employees through Prudential Insurance Company of America. The amount of coverage is based on the following benefit classes:

Superintendent/Treasurer	100% of annual earnings
Certified Employees	
35 or more hours	\$ 20,000
25 to less than 35 hours	16,000
Less than 25 hours	10,000
Classified Employees	
32.5 or more hours	\$ 15,000
25 to less than 32.5 hours	12,000
15 to less than 25 hours	7,500
10 to less than 15 hours	4,000

The premium for the employee term life insurance is paid by the School District at a rate of .155 per \$1,000 of coverage plus an additional administrative fee of 3% of the total premium.

B. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators, who are contracted to work no less than 12 months, earn 10 to 25 days of vacation per year depending upon length of service. Teachers and administrators who work less than 12 months do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-quarter days per month cumulated without limit. Upon retirement, certified and classified employees with 5 years or more of service to the School District may receive 28.5% of accrued and unused sick leave, to a maximum of 65 days.

Note 14 - Long - Term Obligations

The changes in the School District's long-term obligations during the year consist of the following:

	Outstanding 6/30/2004	Additions	Reductions	Outstanding 6/30/2005	Due in One Year
Governmental Activities:					
Compensated Absences	\$ 424,141	\$ 91,569	\$ 75,815	\$ 439,895	\$ 97,997
Capital Lease	0	59,374	8,009	51,365	10,250
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 424,141</u>	<u>\$ 150,943</u>	<u>\$ 83,824</u>	<u>\$ 491,260</u>	<u>\$ 108,247</u>

Capital leases will be paid from the General Fund. Compensated absences will be paid from the fund from which the employee is paid.

Wellington Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Note 15 – Capitalized Leases

Capital lease obligations relate to copier equipment, which is leased under long-term agreements. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standard No. 13 "Accounting for Leases". Capital lease payments in the governmental funds have been reclassified and are reflected as debt service in the basic financial statements for the General Fund. These expenditures are reflected as program/function expenditures on a budgetary basis. The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2005.

Year	Amount
2006	\$ 13,631
2007	13,632
2008	13,632
2009	13,632
2010	5,681
	<u>60,208</u>
Less amount representing interest	8,843
Present Value of Minimum Lease Payments	<u>\$ 51,365</u>

The assets being acquired have been capitalized in the governmental activities in the amount of \$59,374, which is the present value of the minimum lease payments at the inception of each lease.

Note 16 - Interfund Transactions

The account balances by fund of "Interfund Receivable" and "Interfund Payable" as of June 30, 2005 are as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 62,313	\$ 0
Other Governmental Funds	0	62,313
	<u>\$ 62,313</u>	<u>\$ 62,313</u>

Interfund receivables and payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2005, all interfund payables outstanding are anticipated to be repaid in fiscal year 2006.

The following is a summarized breakdown of the District's operating transfers for fiscal year 2005:

Fund	Transfers In	Transfers Out
General Fund	\$ 0	\$ 14,729
Other Governmental Funds	14,729	0
	<u>\$ 14,729</u>	<u>\$ 14,729</u>

Wellington Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

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

Note 17 - Jointly Governed Organizations

A. Lake Erie Educational Computer Association

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization comprised of thirty school districts. The jointly governed organization was formed to provide data processing services for accounting, administrative and instructional functions of member districts. Each of the governments of these districts supports LEECA based upon a per pupil charge dependent upon the software packages 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 LEECA 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 Educational Service Center of Lorain County, which serves as fiscal agent, located at 1885 Lake Avenue, Elyria, Ohio 44035.

B. Lake Erie Regional Council

The Lake Erie Regional Council (LERC) is a jointly governed organization among ten districts. The jointly governed organization was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as a media center, gas consumption, driver education, food service and insurance. Each member provides operating resources to LERC on a per pupil or actual usage charge except for insurance.

The LERC assembly consists of a superintendent or designed representative from each participating district and the fiscal agent. LERC is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the board. Financial information can be obtained by contacting the Treasurer of the Educational Service Center of Lorain County located at 1885 Lake Avenue, Elyria, Ohio 44035.

C. Lorain County Joint Vocational School District

The Lorain County Joint Vocational School District is a separate body politic and corporate, established by the Ohio Revised Code to provide for vocational and special education needs of the students. The Board of the Lorain County Joint Vocational School District is comprised of representatives from each participating school district and is responsible for providing its own budgets, appointing personnel, and accounting and financing related activities. The Wellington Exempted Village School District's students may attend the Lorain County Joint Vocational School District. Each school district's control is limited to its representation on the board. Financial information can be obtained by contacting the Lorain County Joint Vocational School District, 15181 State Route 58, Oberlin, Ohio 44074.

Wellington Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

Note 18 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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 School District at year end.

B. School Funding

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "the Ohio General Assembly to enact a school funding scheme that is thorough and efficient". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

Note 19 - Set-Asides

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

Effective April 10, 2001, Senate Bill 345, eliminated the requirement that the School Districts' establish and maintain a budget stabilization reserve. The monies which do not represent Bureau of Workers' Compensation refunds may be left in the budget reserve set-aside, or returned to the General Fund and used at the discretion of the School District's Board of Education.

The following cash basis information describes the change in the year end set-aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

	Capital Improvement Reserve	Textbook Instructional Materials Reserve	Budget Stabilization
Set-Aside Cash Balance as of June 30, 2004	\$ 0	\$ 0	\$ 36,125
Set-Aside Carryover Balance as of June 30, 2004	0	(62,266)	
Current Year Set-Aside Requirement	231,305	231,305	0
Qualifying Disbursements	(237,353)	(199,575)	0
Total	<u>\$ (6,048)</u>	<u>\$ (30,536)</u>	<u>\$ 36,125</u>
Set-Aside Reserve Balance as of June 30, 2005	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 36,125</u>

Wellington Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

The School District had qualifying disbursements during the year that reduced the capital improvements and textbook reserve set-asides below zero. These extra amounts for the textbooks and/or instructional materials may be used to reduce the set-aside requirement in future fiscal years.

Note 20 – Subsequent Event

In November 2005, the voters of the School District passed a three year 3.94 mill permanent improvement levy with the first collection year being 2006. This levy is estimated to provide \$705,982 each year to be used for capital purchases and general permanent improvements to the School District buildings.

Note 21 – School District Income Tax

The School District levies a voted tax of 1% for general operation on the income of residents and of estates. The tax was effective on January 1, 1998, and was renewed for another five years in 2003 through 2008. Employers of the residents are required to withhold income tax on compensation and remit the tax to the state. Taxpayers are required to file an annual return. The state makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

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**WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURE SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through the Ohio Department of Education:</i>						
<i>Nutrition Cluster:</i>						
Food Distribution	045658 05 PU 05	10.550	-	\$46,208	-	\$46,208
National School Breakfast Program	045658 05 PU 05	10.553	\$25,573	-	\$25,573	-
National School Lunch Program	045658 LL P5 05	10.555	156,290	-	156,290	-
TOTAL NUTRITION CLUSTER/U.S. DEPARTMENT OF AGRICULTURE			181,863	46,208	181,863	46,208
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through the Ohio Department of Education:</i>						
Title I Grants to Local Education Agencies	045658 C1 S1 04	84.010	23,522	-	23,055	-
	045658 C1 S1 05		136,721	-	147,601	-
Total Title I Grants to Local Education Agencies			160,243	-	170,656	-
Special Education - Grants to States	045658 6B SF 04P	84.027	105,346	-	18,515	-
	045658 6B SF 05P		230,029	-	253,563	-
Total Special Education - Grants to States			335,375	-	272,078	-
Safe and Drug-Free Schools and Communities State Grants	045658 DR S1 04	84.186	1,384	-	0	-
	045658 DR S1 05		8,222	-	8,222	-
Total Safe and Drug-Free Schools and Communities State Grants			9,606	-	8,222	-
Innovative Educational Program Strategies	045658 C2 S1 04	84.298	(1,682)	-	245	-
	045658 C2 S1 05		14,266	-	14,266	-
Total Innovative Educational Program Strategies			12,584	-	14,511	-
Technology Literacy Challenge Fund Grants	045658 TF 51 04	84.318	(788)	-	0	-
	045658 TF 51 05		7,334	-	7,257	-
Total Technology Literacy Challenge Fund Grants			6,546	-	7,257	-
OSFC, FER ADA Project Grant		84.352A	28,984	-	89,770	-
Improving Teacher Quality State Grants	045658 TR S1 04	84.367	47,462	-	13,487	-
	045658 TR S1 05		61,953	-	4,588	-
Total Improving Teacher Quality State Grants			109,415	-	18,075	-
TOTAL U.S. DEPARTMENT OF EDUCATION			662,753	-	580,569	-
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES						
<i>Passed Through the Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Medical Assistance Program - Community Alternative Fund System (Medicaid)	N/A	93.767	13,408	-	13,408	-
State Children's Health Insurance Program	N/A	93.778	1,824	-	1,824	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			15,232	-	15,232	-
TOTAL ALL FEDERAL FUNDS			\$859,848	\$46,208	\$777,664	\$46,208

The accompanying notes to this schedule are an integral part of this schedule.

**WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (Schedule) summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - CHILD NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

N/A – Not Applicable.

CFDA – Catalog of Federal Domestic Assistance.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Wellington Exempted Village School District, Lorain County, Ohio, (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 16, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2005-001 through 2005-003 and 2005-006.

A material weakness is a reportable 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 misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the District's management dated October 16, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-004 and 2005-005. In a separate letter to the District's management dated October 16, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 16, 2007



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Wellington Exempted Village School District, Lorain County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Wellington Exempted Village School District, Lorain County, Ohio complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

The District's management 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 the District's internal control over compliance with requirements that could directly and materially affect a major federal program 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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of the Audit Committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 16, 2007

**WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005**

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)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(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 § .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA #84.027 Special Education Grants to States (Idea, Part B)
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005
(Continued)**

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

FINDING NUMBER 2005-001

STUDENT ACTIVITY SALES POTENTIAL FORMS AND TREASURER'S REVIEW

Project sales potential forms are to be completed by the student activity advisor, approved by the building principal and superintendent, and maintained on file for all student activities. These forms should be used to certify the proper approval of all fund-raising activities and to document the receipts and disbursements for each sale. At the conclusion of each activity, the student activity advisor should complete the reconciliation portion of the sales potential form, documenting the total project receipts and disbursements, as well as any unusual circumstances occurring during the sale, such as loss of merchandise or disposition of unsold merchandise. Sales potential forms were not completed for several student fund-raisers. Without the sales potential form for fund-raising activities, it cannot be determined if all activities were properly approved and all monies properly accounted for.

In addition, our testing disclosed the Treasurer does not review the records of the student activity fund-raisers. Without proper review of student activity fund-raisers, errors or irregularities in receipts, disbursements and/or cash balances could occur and go undetected.

We recommend the sales potential form be timely completed, properly approved, and filed with the Treasurer's office for all student activities. In addition, we recommend the Treasurer provide instruction to student activity advisors for completion and submission of sales potential forms for each fund-raising activity. With proper completion of the sales potential form, the amount of profit (loss), merchandise returned and/or money not turned in by students can more readily be determined. These procedures will help ensure that all activities are properly authorized and fully documented as to the results of the activity.

Further, we recommend the Treasurer review all student activities forms to see that they are completed properly and the required forms for each fund-raising activity has been submitted by the student activity advisor. As part of the review process, the Treasurer should review the forms to ensure accountability for project sale items and revenues.

OFFICIALS' RESPONSE:

Student activity sales projects will be approved by the Principal and Superintendent as we have done in the past. When a sales project is completed the Principal and Superintendent will approve a final report. Final scrutiny will be provided by the Treasurer. Guidelines provided by the State Auditor will be followed.

FINDING NUMBER 2005-002

UNAUTHORIZED OPENING OF BANK ACCOUNTS

The Student Advisor for the Future Farmers of America had opened a checking account to deposit and write checks on behalf of the student activity. This account was not authorized by the Board and the checking account activity was not processed through the Treasurer's records. An unauthorized opening of a bank account increases the risk that money could be misappropriated or spent for non-public purpose. Further, unreported "outside" bank accounts reduces the District's cash position, as reported in its annual financial statements.

**WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005
(Continued)**

FINDING NUMBER 2005-002

UNAUTHORIZED OPENING OF BANK ACCOUNTS (Continued)

The Student Advisor for the Future Farmers of America had independently managed the financial activity for this program and would not provide the District with a complete record of transactions and a reconciliation of the bank activity. The Treasurer's office had no monitoring control or accountability regarding the receipts and expenditures nor could the Treasurer assure that moneys spent on behalf of this student activity were all for purpose of the activity.

The District should have adequate procedures in place over the various cash collection points. These procedures should include, but are not limited to, safeguarding cash received; providing receipts (where applicable) to the payee; and proper segregation of duties for the receipting, depositing, recording and reporting of cash.

We recommend the Treasurer account for all receipts and expenditures associated with the Future Farmers of America in a separate agency fund and include the activity and balances in the monthly reports presented to the Board. Furthermore, the District should review their procedures for cash collection points and in monitoring outside student activities to ensure proper accountability over collections, depositing of moneys, recording and reconciliation of bank and book activity are performed in a timely manner and monitored through the Treasurer's office.

We recommend that all bank accounts opened by the District be opened by the Treasurer with Board approval. Also, all activity within the account should be included within the District's bank reconciliations and reported in its annual financial statements.

OFFICIALS' RESPONSE:

No unauthorized bank accounts will be opened for student activities or fundraisers. All monies for student activities and student fundraisers will be deposited with and accounted for by the Treasurer.

FINDING NUMBER 2005-003

REQUIREMENTS OF STATEMENT ON AUDITING STANDARDS NO. 70

The District has delegated employees' health care claims processing, which is a significant accounting function, to a third-party administrator Lake Erie Regional Council of Governments (LERC). The District has not established procedures to determine whether this service organization has sufficient controls in place and operating effectively to reduce the risk that the health insurance claims have not been completely and accurately processed in accordance with the health insurance contract. Failure to obtain assurance over the claims processing may lead to a qualification of the financial statement opinion.

Statement on Auditing Standards (SAS) No. 70, as amended, prescribes standards for reporting on service organizations. The District should require, as part of their contract with LERC, that the requirements of SAS No. 70 are met with either a Type II SAS No. 70 report on Policies and Procedures Placed in Operation and Test of Operating Effectiveness or agree upon procedures that incorporate the necessary requirements. The reports should follow American Institute of Certified Public Accountants Standards and be performed by a firm registered and considered in good standing with the Accountancy Board of the respective state. If agreed upon procedures are desired, the Auditor of Stare's office should be involved in the process prior to commencement of the procedures.

**WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005
(Continued)**

FINDING NUMBER 2005-003

REQUIREMENTS OF STATEMENT ON AUDITING STANDARDS NO. 70

If the third-party administrator refuses to furnish the District with a Type II SAS 70 report, we recommend the District contract with a third-party administrator that will provide such a report.

OFFICIALS' RESPONSE:

The client chose not to respond to this finding.

FINDING NUMBER 2005-004

SELF INSURANCE ACTIVITY

Ohio Rev. Code Section 9.833(C)(2) requires health insurance activity to be accounted for in an internal service fund, established pursuant to an ordinance or resolution, and the associated assets and liabilities recorded on the financial statements. The District did not account for their health insurance self-insurance activity in an internal service fund.

The District has contracted with the Lake Erie Regional Council of Governments (LERC) to provide employee health and medical benefits. LERC is a claims-servicing pool comprised of ten Lorain County school districts. The District partially retains the risk associated with the employee health and medical benefits and is considered to be self-insured for these benefits. Currently, the District charges the costs associated with providing these benefits to the General Fund and remits these amounts to LERC.

The District should follow the procedures outlined in Auditor of State Bulletin 2001-005, dated April 12, 2001, and account for the activity of their health self-insurance program in an internal service fund established by ordinance or resolution.

OFFICIALS' RESPONSE:

The client chose not to respond to this finding.

FINDING NUMBER 2005-005

FINDING FOR RECOVERY

As Vocational Agri-Science teacher, Patrick M. Knoble was advisor to the Wellington Future Farmers of America (FFA) student activity and was responsible for various fund-raising activities. During his tenure as advisor to the FFA, he controlled two bank accounts which were used to record revenue and pay expenses of the FFA program.

Our review of FFA expenditures revealed transactions totaling \$20,666 which were not for purposes related to the operations of an FFA student activity. These expenditures included items such as checks to cash (\$5,371), checks issued to Patrick M. Knoble, his mother, and his grandmother without any supporting documentation (\$13,223), checks issued to financial institutions without any supporting documentation (\$807), debit card transactions for gasoline purchases (\$94), various retail purchases (\$415), and overdraft/returned items fees (\$756).

WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005
(Continued)

FINDING NUMBER 2005-005

FINDING FOR RECOVERY (Continued)

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Patrick M. Knoble in the amount of \$20,666, and in favor of the Wellington Exempted Village School District FFA-WHS District-Managed Student Activity Fund (300-9330).

OFFICIALS' RESPONSE:

Mr. Knoble was awarded extended day contracts on a supplemental basis. He was not awarded any supplemental contracts for student activities. The FFA fundraisers, etc. are an expectation of the Ag-Ed teacher.

Mr. Knoble was advised in writing regarding the conduct of student fundraisers and District expectations and requirements were presented to him on several occasions.

3. FINDINGS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 18, 2007