



**WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2006



Mary Taylor, CPA
Auditor of State

**WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities.....	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds	14
Reconciliation of Total Governmental Fund Balance to Net Assets Of Governmental Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (non-GAAP Budgetary Basis) – General Fund	18
Statement of Fund Net Assets – Internal Service Fund.....	19
Statement of Revenues, Expenses and Changes in Net Assets – Internal Service Fund	20
Statement of Cash Flows – Internal Service Fund	21
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds	22
Notes to the Basic Financial Statements	23
Schedule of Federal Awards Receipts and Expenditures.....	45
Notes to the Schedule of Federal Awards Receipts and Expenditures	46
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	47
Independent Accountants' Report on Compliance with Requirements Applicable to Its Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	49
Schedule of Findings.....	51
Schedule of Prior Audit Findings.....	54

This page intentionally left blank.



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, each major fund, and the aggregate remaining fund information of Wellington Exempted Village School District, Lorain County, Ohio (the District), as of and for the year ended June 30, 2006, 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, each major fund, and the aggregate remaining fund information of Wellington Exempted Village School District, Lorain County, Ohio, as of June 30, 2006, and the respective changes in financial position, and where applicable, cash flows, thereof and budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As more fully described in Note 3, July 1, 2005 net assets were restated due to the recognition of an internal service fund and July 1, 2005 General Fund balance was restated due to claims payable being recognized in the internal service fund instead of the General Fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2008, 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 inquiries 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 accompanying schedule of federal awards receipts and expenditures 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 schedule of federal awards receipts and expenditures 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 black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

February 28, 2008

Wellington Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

The discussion and analysis of Wellington Exempted Village School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key Financial Highlights for 2006 are as follows:

- In total, net assets increased by \$294,009.
- Revenues for governmental activities totaled \$13,789,685 in 2006. Of this total, 87 percent consisted of General revenues while Program revenues accounted for the balance of 13 percent.
- Program expenses totaled \$13,495,676. Instructional expenses made up 55 percent of this total while support services accounted for 37 percent. Other expenses rounded out the remaining 8 percent.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes pertaining to those statements. These statements are organized so the reader can understand Wellington Exempted Village School District as a financial whole, or complete operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and the *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Wellington Exempted Village School District, the general fund is the most significant fund.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2006?" The *Statement of Net Assets* and the *Statement of Activities* answers this question. These statements include all Non-Fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Wellington Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

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 performance, demographic and socioeconomic factors and willingness of the community to support the School District. On the other hand, financial factors may include the School District's financial position, liquidity and solvency, fiscal capacity and risk and exposure.

In the Statement of Net Assets and the Statement of Activities, the School District is classified into governmental activities. All of the School District's Non-Fiduciary programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, operation of food service and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and capital improvement capital projects fund.

Governmental Funds

Most of the School District's activities are reported as governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are 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.

Wellington Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

The School District as a Whole

You may 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 2006 compared to 2005:

Table 1
Net Assets

	<i>Governmental Activities</i>	
	<i>2006</i>	<i>2005</i>
Assets		
Current and Other Assets	\$8,163,692	\$6,933,828
Capital Assets, Net	4,789,665	4,480,788
<i>Total Assets</i>	12,953,357	11,414,616
Liabilities		
Current and Other Liabilities	5,485,498	5,078,524
Long-term Liabilities:		
Due Within One Year	31,012	108,247
Due in More than One Year	953,700	383,013
<i>Total Liabilities</i>	6,470,210	5,569,784
Net Assets		
Invested in Capital Assets, Net of Debt	4,748,550	4,429,423
Restricted	102,196	239,536
Unrestricted	1,632,401	1,175,873
<i>Total Net Assets</i>	\$6,483,147	\$5,844,832

Total assets increased by \$1,538,741. The majority of the increase was to the School District's cash balance. During the fiscal year, property taxes collections increased in the general fund and the School District collected new property tax monies in the capital improvement capital projects fund.

Total liabilities increased by \$900,426. This increase can be attributed to increased compensated absences liability and deferred revenue.

By comparing assets and liabilities, one can see the overall position of the School District is stable and continues to thrive.

Wellington Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$11,987,067 or 87 percent of the total revenue. The most significant portion of general revenues is local property tax and state support. The remaining amount of revenue received was in the form of program revenues, which equated to \$1,802,618 or 13 percent of total revenue.

Table 2 shows the changes in net assets and compares revenue and expenses from fiscal year 2006 to fiscal year 2005. A comparative analysis of government-wide data is presented.

Table 2
Changes in Net Assets

	<i>Governmental Activities 2006</i>	<i>Governmental Activities 2005</i>
Revenues		
Program Revenues:		
Charges for Services	\$971,189	\$1,056,185
Operating Grants and Contributions	831,429	1,271,633
<i>Total Program Revenues</i>	<u>1,802,618</u>	<u>2,327,818</u>
General Revenues:		
Property Taxes	3,965,550	3,932,521
Income Taxes	1,638,171	1,547,252
Grants and Entitlements	6,143,354	5,673,739
Investments	124,960	41,412
Miscellaneous	115,032	183,104
<i>Total General Revenues</i>	<u>11,987,067</u>	<u>11,378,028</u>
<i>Total Revenues</i>	<u>13,789,685</u>	<u>13,705,846</u>
Program Expenses		
Instruction		
Regular	6,368,786	6,158,440
Special	1,039,659	692,002
Vocational	77,069	95,595
Other	4,234	435,181
Support Services:		
Pupil	603,911	527,111
Instructional Staff	614,161	624,697
Board of Education	38,313	69,245
Administration	1,238,669	1,341,161
Fiscal	386,946	404,132
Operation and Maintenance	1,183,345	1,377,485
Pupil Transportation	782,717	749,475
Central	123,883	187,978
Operating of Non-Instructional Services	578,444	673,101
Extracurricular Activities	452,158	434,776
Interest and Fiscal Charges	3,381	3,351
<i>Total Program Expenses</i>	<u>13,495,676</u>	<u>13,773,730</u>
<i>Increase (Decrease) in Net Assets</i>	294,009	(67,884)
<i>Net Assets Beginning of Year (Restated See Note 3)</i>	<u>6,189,138</u>	<u>5,912,716</u>
<i>Net Assets End of Year</i>	<u>\$6,483,147</u>	<u>\$5,844,832</u>

Wellington Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Governmental Activities

The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five years. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

As one can see, approximately 55 percent of the School District's expense is used to fund instructional expenses. Additional supporting services for pupils, staff and business operations encompass an additional 37 percent. The remaining amount of program expenses, 8 percent, is to facilitate other obligations of the School District such as interest and fiscal charges, the food service program and numerous extracurricular activities.

The Statement of Activities shows the total net cost of program services. Table 3 shows a comparative of the total cost of services for governmental activities and the net cost of those services for fiscal year 2006 to fiscal year 2005. That is, it identifies the cost of those services supported by tax revenue and unrestricted State entitlements.

Table 3				
Governmental Activities				
	<i>Total Cost</i>	<i>Net Cost</i>	<i>Total Cost</i>	<i>Net Cost</i>
	<i>of Services</i>	<i>of Services</i>	<i>of Services</i>	<i>of Services</i>
	<i>2006</i>	<i>2006</i>	<i>2005</i>	<i>2005</i>
Instruction				
Regular	\$6,368,786	\$6,192,208	\$6,158,440	\$5,634,256
Special	1,039,659	676,052	692,002	71,309
Vocational	77,069	77,069	95,595	95,595
Other	4,234	4,234	435,181	435,181
Support Services:				
Pupils	603,911	603,911	527,111	527,111
Instructional Staff	614,161	347,713	624,697	356,772
Board of Education	38,313	38,313	69,245	69,245
Administration	1,238,669	1,170,695	1,341,161	1,264,400
Fiscal	386,946	386,946	404,132	403,983
Operation and Maintenance	1,183,345	1,179,981	1,377,485	1,347,155
Pupil Transportation	782,717	734,515	749,475	725,859
Central	123,883	113,406	187,978	183,127
Operation of Non-Instructional Services	578,444	46,720	673,101	78,143
Extracurricular Activities	452,158	117,914	434,776	250,425
Interest and Fiscal Charges	3,381	3,381	3,351	3,351
Total	\$13,495,676	\$11,693,058	\$13,773,730	\$11,445,912

As one can see, the reliance upon local tax revenues for governmental activities is crucial.

Wellington Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

School District's Funds

Information regarding the School District's major funds can be found on page 14 and 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources totaled \$13,972,842 and expenditures and other financing uses totaled \$13,687,714. The General Fund balance increased by \$501,798.

General Fund Budgeting Highlights

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

During the course of fiscal 2006, the School District amended its general fund budget numerous times, none significant. The School District uses a site-based style of budgeting and has in place systems that are designed to tightly control disbursements but provide flexibility for site based decision and management.

For the general fund, the original basis revenue estimate totaled \$11,727,500 compared to the final estimate of \$11,788,292. Minimal modifications were made to property tax revenues based on modified property valuations and miscellaneous revenues. The final budget basis expenditure totaled \$11,553,821 compared to the original estimate budget for the general fund's budget basis expenditures estimate \$12,047,351. The majority of the modifications were made due to reduce spending in regular instruction expenditure.

The School District's general fund unencumbered ending cash balance totaled \$1,759,801, which was above the original budgeted amount due to actual revenues being higher than the original estimate as well as actual expenditures being less than the original budget.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2006, the School District had \$4,789,665 invested in land and improvements, buildings and improvements, furniture and fixtures, vehicles, and Library and Textbooks net of accumulated depreciation. Table 4 shows fiscal 2006 values compared to 2005.

Wellington Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

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

	<i>Governmental Activities</i>	
	<i>2006</i>	<i>2005</i>
Land	\$1,430,520	\$1,430,520
Land and Improvements	682,064	682,064
Buildings and Improvements	6,131,933	5,632,419
Furniture and Fixtures	748,635	723,792
Vehicles	656,510	656,510
Library and Textbooks	546,845	546,845
Accumulated Depreciation	(5,406,842)	(5,191,362)
<i>Totals</i>	<i>\$4,789,665</i>	<i>\$4,480,788</i>

All capital assets are reported at historical cost. For more information on capital assets refer to Note 9 of the basic financial statements.

Debt

At June 30, 2006 the School District had only capitalized leases as debt. Lease obligations outstanding at year-end totaled \$41,115, which is for copier equipment scheduled to mature during fiscal year 2010. See Note 15 of the basic financial statements for detail on the School District's long-term obligations.

School District Outlook

Wellington Exempted Village Schools has a strong financial outlook. The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast and the School District Continuous Improvement Plan.

The financial future of the School District is not without its challenges though. These challenges are internal and external in nature. The internal challenges will continue to exist as the School District must rely heavily on local taxes to fund its operations. External challenges continue to evolve as the State of Ohio determines the outcome of the Ohio Supreme Court case dealing with the unconstitutionality of the State's educational funding system.

Although the School District relies heavily on its property taxpayers to support its operations, the community support for the schools is quite strong. The School District currently has a positive cash balance and based on the five year forecast will continue to carry a positive balance for the next four years. With the passage of a 3 year 3.95 mill permanent improvement levy the school district has been able to increase the School District's cash balance.

Wellington Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

The School District has not anticipated any meaningful growth in State revenue due to the constraints set by the State for estimating state funding. The State has stated that the per pupil revenue for a minimum education should be increased at an inflationary rate of 2.2 percent per year for future years, however the cost of doing business factor has been eliminated when computing state funding which will have negative effect on the funds received from the State. The affect of a property reappraisal will have a negative affect on the State's share of per pupil funding. With 55 percent of the revenue for the School District coming from property taxes, one can see the significant impact this constraint would have on the School District and ultimately, the residential taxpayers.

As a result of the challenges mentioned above, it is imperative the School District's management continue to carefully and prudently plan in order to provide the resources required to meet student needs over the next several years.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers and investors and creditors with a general overview of the School District's finances and 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 Ms. Suzanne Wilson, Treasurer, at Wellington Exempted Village School District, 201 S Main Street, Wellington, Ohio 44090, or call 440-647-4286.

Wellington Exempted Village School District

Statement of Net Assets

June 30, 2006

	<u><i>Governmental Activities</i></u>
<i>Assets</i>	
Equity in Pooled Cash and Cash Equivalents	\$2,537,656
Cash and Cash Equivalents with Fiscal Agent	623,022
Accounts Receivable	200
Intergovernmental Receivable	53,009
Property Taxes Receivable	4,284,244
Income Taxes Receivable	665,561
Non-Depreciable Capital Assets	1,430,520
Depreciable Capital Assets, net	3,359,145
<i>Total Assets</i>	<u>12,953,357</u>
<i>Liabilities</i>	
Accounts Payable	216,923
Accrued Wages and Benefits	1,190,740
Intergovernmental Payable	314,471
Matured Compensated Absences	70,687
Deferred Revenue	3,332,697
Claims Payable	359,980
Long-Term Liabilities:	
Due Within One Year	31,012
Due in More Than One Year	953,700
<i>Total Liabilities</i>	<u>6,470,210</u>
<i>Net Assets</i>	
Invested in Capital Assets, Net of Related Debt	4,748,550
Restricted for Debt Service	31
Restricted for Other Purposes	102,165
Unrestricted	1,632,401
<i>Total Net Assets</i>	<u><u>\$6,483,147</u></u>

See Accompanying Notes to the Basic Financial Statements

This Page Intentionally Left Blank

Wellington Exempted Village School District

Statement of Activities

For the Fiscal Year Ended June 30, 2006

	<i>Program Revenues</i>			<i>Net</i>
<i>Expenses</i>	<i>Charges for Services and Sales</i>	<i>Operating Grants and Contributions</i>	<i>(Expenses)</i>	
			<i>Revenue and Changes in Net Assets</i>	
Governmental Activities				
Instruction:				
Regular	\$6,368,786	\$63,919	\$112,659	(\$6,192,208)
Special	1,039,659	130,494	233,113	(676,052)
Vocational	77,069	0	0	(77,069)
Other	4,234	0	0	(4,234)
Support Services:				
Pupils	603,911	0	0	(603,911)
Instructional Staff	614,161	8,600	257,848	(347,713)
Board of Education	38,313	0	0	(38,313)
Administration	1,238,669	56,004	11,970	(1,170,695)
Fiscal	386,946	0	0	(386,946)
Operation and Maintenance of Plant	1,183,345	0	3,364	(1,179,981)
Pupil Transportation	782,717	48,202	0	(734,515)
Central	123,883	0	10,477	(113,406)
Operation of Non-Instructional Services	578,444	336,559	195,165	(46,720)
Extracurricular Activities	452,158	327,411	6,833	(117,914)
Interest and Fiscal Charges	3,381	0	0	(3,381)
<i>Totals</i>	\$13,495,676	\$971,189	\$831,429	(11,693,058)

General Revenues

Property Taxes Levied for:	
General Fund	3,497,540
Capital Improvement Fund	468,010
Income Taxes	1,638,171
Grants and Entitlements not Restricted to Specific Program:	6,143,354
Investment Earnings	124,960
Miscellaneous	115,032
<i>Total General Revenues</i>	11,987,067
<i>Change in Net Assets</i>	294,009
<i>Net Assets Beginning of Year (Restated See Note 3)</i>	6,189,138
<i>Net Assets End of Year</i>	\$6,483,147

See Accompanying Notes to the Basic Financial Statements

Wellington Exempted Village School District

*Balance Sheet
Governmental Funds
June 30, 2006*

	<i>General Fund</i>	<i>Capital Improvement Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<i>Assets</i>				
Equity in Pooled Cash and Cash Equivalents	\$1,913,583	\$400,635	\$223,438	\$2,537,656
Accounts Receivable	200	0	0	200
Interfund Receivable	483,441	0	0	483,441
Intergovernmental Receivable	0	0	53,009	53,009
Property Taxes Receivable	3,615,900	668,344	0	4,284,244
Income Taxes Receivable	665,561	0	0	665,561
<i>Total Assets</i>	\$6,678,685	\$1,068,979	\$276,447	\$8,024,111
<i>Liabilities</i>				
Accounts Payable	\$26,994	\$180,463	\$9,466	\$216,923
Accrued Wages and Benefits	1,110,179	0	80,561	1,190,740
Intergovernmental Payable	270,089	0	44,382	314,471
Interfund Payable	0	480,000	3,441	483,441
Matured Compensated Absences	70,687	0	0	70,687
Deferred Revenue	2,862,370	521,314	6,481	3,390,165
<i>Total Liabilities</i>	4,340,319	1,181,777	144,331	5,666,427
<i>Fund Balances</i>				
Reserved for Encumbrances	126,787	143,157	1,409	271,353
Reserved for Textbooks and Instructional Supplies	53,956	0	0	53,956
Reserved for Property Taxes	753,530	147,030	0	900,560
Unreserved, Undesignated, Reported in:				
General Fund	1,404,093	0	0	1,404,093
Special Revenue Funds	0	0	130,676	130,676
Debt Service Fund	0	0	31	31
Capital Projects Funds	0	(402,985)	0	(402,985)
<i>Total Fund Balances</i>	2,338,366	(112,798)	132,116	2,357,684
<i>Total Liabilities and Fund Balances</i>	\$6,678,685	\$1,068,979	\$276,447	\$8,024,111

See Accompanying Notes to the Basic Financial Statements

Wellington Exempted Village School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities*
 June 30, 2006

<i>Total Governmental Fund Balances</i>	\$2,357,684
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	4,789,665
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	57,468
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	263,042
Long-term liabilities, including compensated absences and capital leases payable, are not due and payable in the current period and therefore are not reported in the funds:	
Compensated Absences	(943,597)
Capital Leases Payable	(41,115)
	(984,712)
Total	(984,712)
<i>Net Assets of Governmental Activities</i>	\$6,483,147

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, 2006

	<i>General Fund</i>	<i>Capital Improvement Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues				
Property Taxes	\$3,525,092	\$460,326	\$0	\$3,985,418
Income Taxes	1,638,171	0	0	1,638,171
Intergovernmental	6,110,315	33,039	851,607	6,994,961
Interest	124,960	0	0	124,960
Tuition and Fees	130,494	0	63,601	194,095
Extracurricular Activities	138,921	0	304,610	443,531
Customer Sales and Services	0	0	313,800	313,800
Miscellaneous	115,699	0	85,246	200,945
Total Revenues	11,783,652	493,365	1,618,864	13,895,881
Expenditures				
Current:				
Instruction:				
Regular	5,919,501	0	228,618	6,148,119
Special	816,048	0	224,525	1,040,573
Vocational	75,062	0	0	75,062
Other	4,234	0	0	4,234
Support Services:				
Pupils	598,332	0	276,753	875,085
Instructional Staff	314,850	0	0	314,850
Board of Education	38,313	0	0	38,313
Administration	1,146,934	0	66,928	1,213,862
Fiscal	364,137	5,148	0	369,285
Operation and Maintenance of Plant	977,747	0	2,074	979,821
Pupil Transportation	642,774	0	50,540	693,314
Central	106,822	0	12,864	119,686
Operation of Non-Instructional Services	304	0	544,271	544,575
Extracurricular Activities	232,133	0	206,294	438,427
Capital Outlay	0	741,249	0	741,249
Debt Service:				
Principal	10,250	0	0	10,250
Interest and Fiscal Charges	3,381	0	0	3,381
Total Expenditures	11,250,822	746,397	1,612,867	13,610,086
Excess of Revenues Over (Under) Expenditures	532,830	(253,032)	5,997	285,795
Other Financing Sources (Uses)				
Transfers In	23,298	0	53,663	76,961
Other Financing Uses	(667)	0	0	(667)
Transfers Out	(53,663)	0	(23,298)	(76,961)
Total Other Financing Sources (Uses)	(31,032)	0	30,365	(667)
Net Change in Fund Balances	501,798	(253,032)	36,362	285,128
Fund Balances Beginning of Year - (Restated See Note 3)	1,836,568	140,234	95,754	2,072,556
Fund Balances End of Year	\$2,338,366	(\$112,798)	\$132,116	\$2,357,684

See Accompanying Notes to the Basic Financial Statements

Wellington Exempted Village School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2006*

Net Change in Fund Balances - Total Governmental Funds \$285,128

*Amounts reported for governmental activities in the
statement of activities are different because:*

Governmental funds report capital outlay as expenditures.
However, in the statement of activities, the cost of those
assets is allocated over their estimated useful lives as
depreciation expense. In the current period, these amounts are:

Capital Assets - Additions	552,370	
Capital Assets - Deletions	(13,714)	
Depreciation	<u>(229,779)</u>	
<i>Total</i>		308,877

Revenues in the statement of activities that do not provide current
financial resources are not reported as revenues in the funds. (105,529)

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

Capital Leases	10,250	
Compensated Absences	<u>(503,702)</u>	
<i>Total</i>		(493,452)

The internal service fund used by management to charge the costs of
health insurance is included in the statement of activities and not on the
governmental fund expenditures. This is the amount that revenues exceeded
expenses during the year. 298,985

Changes in Net Assets of Governmental Activities \$294,009

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, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance with</i>
	<u>Original</u>	<u>Final</u>		<i>Final Budget</i>
				<i>Positive (Negative)</i>
Revenues				
Property Taxes	\$3,616,540	\$3,585,862	\$3,585,862	\$0
Income Taxes	1,547,252	1,574,126	1,574,126	0
Intergovernmental	6,116,714	6,110,315	6,110,315	0
Interest	100,000	133,075	124,960	(8,115)
Tuition and Fees	130,270	130,494	130,494	0
Extracurricular Activities	142,000	138,921	138,921	0
Miscellaneous	74,724	115,499	115,499	0
Total Revenues	11,727,500	11,788,292	11,780,177	(8,115)
Expenditures				
Current:				
Instruction:				
Regular	6,416,673	5,901,446	5,901,446	0
Special	760,914	848,637	848,637	0
Vocational	73,911	83,905	83,905	0
Other	0	7,163	7,163	0
Support Services:				
Pupils	550,544	619,054	619,054	0
Instructional Staff	354,502	360,636	360,636	0
Board of Education	36,313	41,501	41,501	0
Administration	1,219,843	1,220,269	1,220,269	0
Fiscal	407,969	400,037	400,037	0
Operation and Maintenance of Plant	1,279,251	1,063,877	1,063,877	0
Pupil Transportation	611,321	663,924	663,924	0
Central	109,671	109,568	109,568	0
Operation of Non-Instructional Services	779	761	761	0
Extracurricular Activities	225,660	227,545	227,545	0
Capital Outlay	0	5,500	5,500	0
Total Expenditures	12,047,351	11,553,823	11,553,823	0
Excess of Revenues Over (Under) Expenditures	(319,851)	234,469	226,354	(8,115)
Other Financing Sources (Uses)				
Transfers In	0	23,298	23,298	0
Advances In	38,543	38,543	38,543	0
Other Financing Uses	(28,919)	(667)	(667)	0
Transfers Out	(11,457)	(53,663)	(53,663)	0
Advances Out	(38,543)	(483,441)	(483,441)	0
Total Other Financing Sources (Uses)	(40,376)	(475,930)	(475,930)	0
Net Change in Fund Balance	(360,227)	(241,461)	(249,576)	(8,115)
Fund Balance Beginning of Year	1,936,521	1,936,521	1,936,521	0
Prior Year Encumbrances Appropriated	72,856	72,856	72,856	0
Fund Balance End of Year	\$1,649,150	\$1,767,916	\$1,759,801	(\$8,115)

See Accompanying Notes to the Basic Financial Statements

Wellington Exempted Village School District

Statement of Fund Net Assets

Internal Service Fund

June 30, 2006

	<u><i>Self-Insurance Fund</i></u>
<i>Assets</i>	
Cash and Cash Equivalents with Fiscal Agent	<u>\$623,022</u>
<i>Total Assets</i>	<u>623,022</u>
<i>Liabilities</i>	
Claims Payable	<u>359,980</u>
<i>Total Liabilities</i>	<u>359,980</u>
<i>Net Assets</i>	
Unrestricted	<u>263,042</u>
<i>Total Net Assets</i>	<u><u>\$263,042</u></u>

See Accompanying Notes to the Basic Financial Statements

Wellington Exempted Village School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2006

	<i>Self-Insurance Fund</i>
<i>Operating Revenues</i>	
Charges for Services	\$1,942,753
<i>Total Operating Revenues</i>	<u>1,942,753</u>
<i>Operating Expenses</i>	
Purchased Services	143,397
Claims	1,514,049
<i>Total Operating Expenses</i>	<u>1,657,446</u>
<i>Operating Income</i>	285,307
<i>Non-Operating Revenues</i>	
Interest	13,678
<i>Total Non-Operating Revenues</i>	<u>13,678</u>
<i>Net Income</i>	298,985
<i>Net Assets(Deficit) at Beginning of Year</i>	<u>(35,943)</u>
<i>Net Assets at End of Year</i>	<u><u>\$263,042</u></u>

See Accompanying Notes to the Basic Financial Statements

Wellington Exempted Village School District

Statement of Cash Flows

Internal Service Fund

For the Fiscal Year Ended June 30, 2006

	<i>Self-Insurance Fund</i>
<i>INCREASE IN CASH AND CASH EQUIVALENTS</i>	
<i>Cash Flows from Operating Activities</i>	
Cash Received from Customers	\$1,942,753
Cash Payments to Suppliers for Goods and Services	(143,397)
Cash Payments for Claims	<u>(1,534,349)</u>
<i>Net Cash Provided by Operating Activities</i>	<u>265,007</u>
<i>Cash Flows from Investing Activities</i>	
Interest on Investments	<u>13,678</u>
<i>Net Cash Provided by Investing Activities</i>	<u>13,678</u>
<i>Net Increase in Cash and Cash Equivalents</i>	278,685
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>344,337</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$623,022</u></u>
<i>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</i>	
<i>Operating Income</i>	<u>\$285,307</u>
<i>Adjustments:</i>	
Changes in Liabilities:	
Decrease in Claims Payable	<u>(20,300)</u>
<i>Total Adjustments</i>	<u>(20,300)</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$265,007</u></u>

See Accompanying Notes to the Basic Financial Statements

Wellington Exempted Village School District
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2006

	<u><i>Agency Fund</i></u>
<i>Assets</i>	
Equity in Pooled Cash and Cash Equivalents	<u>\$36,593</u>
<i>Total Assets</i>	<u><u>\$36,593</u></u>
<i>Liabilities</i>	
Undistributed Monies	<u>36,593</u>
<i>Total Liabilities</i>	<u><u>\$36,593</u></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, 2006

Note 1 - Description of the School District and Reporting Entity

Wellington Exempted Village School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and/or Federal guidelines.

The School District was established through the consolidation of existing land areas and school districts. The School District serves an area of approximately four square miles. It is located in Lorain and Huron Counties. It is staffed by 63 non-certificated employees and 102 certificated personnel who provide services to 1,621 students and other community members.

Reporting Entity

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

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

The School District is associated with organizations which are defined as a jointly governed organizations and public entity risk pools. These organizations include the Lake Erie Educational Computer Association, Lake Erie Regional Council of Governments, Lorain County Joint Vocational School District, Ohio School Plan, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 16 and 17 to the basic financial statements

Note 2 - Summary of Significant Accounting Policies

The financial statements of Wellington Exempted Village School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting 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 activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

Wellington Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 2 - Summary of Significant Accounting Policies (continued)

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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental and fiduciary.

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

General Fund The general fund is the general operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

Capital Improvements Capital Projects Fund The capital improvement fund accounts for property tax revenue to be used for capital improvements made to existing buildings in the School District.

Wellington Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 2 - Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

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

Proprietary Fund Types Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service; the School District has no enterprise funds.

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the operation of the School District's self-insurance program for employee medical benefits.

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. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds reflect resources that belong to the student bodies of the various schools.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the Statement of Net Assets. The Statement of Activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total 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.

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 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, 2006

Note 2 - Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

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. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current fiscal year or 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 fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include income and property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). 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, grants, investment earnings, tuition, rentals and fees.

Deferred Revenue Deferred 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, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred 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 revenue.

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

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.

Wellington Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 2 - Summary of Significant Accounting Policies (continued)

E. Budgetary Process

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The 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 of Education's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control set by the Board. The legal level of control has been established by the Board of Education at the fund level. The treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

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 certificate of estimated resources issued during fiscal year 2006.

The appropriation resolution is subject to amendment by the Board of Education throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as 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 fiscal year 2006.

F. Cash and Cash Equivalents

To improve cash management, all 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. The School District is self insured through the Lake Erie Regional Council of Government ("LERC") claims servicing pool. LERC is fiscal agent for the pool and the portion of the cash balance held by LERC and attributable to the School District is presented as "Cash and Cash Equivalents with Fiscal Agent" on the Statement of Net Assets and the Statement of Fund Net Assets – Internal Service Fund.

During fiscal year 2006, investments were limited to repurchase agreements and STAROhio. Repurchase agreements are reported at cost.

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 Rule2a7 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, 2006.

Wellington Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 2 - Summary of Significant Accounting Policies (continued)

F. Cash and Cash Equivalents (continued)

As authorized by State statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund and self-insurance internal service fund during fiscal year 2006 amounted to \$124,960 and \$24,329, respectively. The general fund interest includes approximately \$32,065 assigned from other School District funds.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

H. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/expended when used. Inventories consist of donated and purchased food, and supplies held for consumption and are expensed when used. At June 30, 2006, there was no significant inventory balances to report.

I. 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 government or imposed by enabling legislation. Restricted assets include an amount required by statute to be set-aside for the purchases of textbooks and other instructional materials. See Note 20 for additional information regarding set-asides.

J. Capital Assets

The School District's only capital assets are general capital assets. General capital assets are capital assets which are associated with and generally arise from governmental activities. These 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 on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District capitalization threshold is \$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 capitalized.

Wellington Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 2 - Summary of Significant Accounting Policies (continued)

J. Capital Assets (continued)

All reported capital assets, other than land and construction in progress, 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 Buildings Improvements	20 to 50 years
Furniture and Fixtures	5 – 20 years
Vehicles	8 years
Library and Textbooks	6 years

K. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

For governmental funds, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirement. These amounts are reported in the account "Matured Compensated Absences Payable" in the funds from which the employees will be paid.

M. 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 normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the fund financial statements when due.

Wellington Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 2 - Summary of Significant Accounting Policies (continued)

N. 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.

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

O. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

P. Interfund Activity

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.

Q. Estimates

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

R. 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 School District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2006.

Wellington Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 3 – Restatement of Fund Balances/Net Assets

July 1, 2005 Governmental net assets were restated by \$344,306, from \$5,844,832 to \$6,189,138 due to the recognition of a self-funded internal service fund. The July 1, 2005 governmental fund balances were also restated by \$380,280, from \$1,692,276 to \$2,072,556 due to claims payable being recognized in the internal service fund, not the general fund.

Note 4 - Budgetary Basis of Accounting

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

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

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

	<i>General</i>
<i>GAAP Basis</i>	\$501,798
Net Adjustment for Revenues	(3,475)
Advances In	38,543
Net Adjustment for Expenditures	(149,220)
Advances Out	(483,441)
Adjustment for Encumbrances	(153,781)
<i>Budget Basis</i>	(\$249,576)

Note 5- Deposits and Investments

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

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

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

Wellington Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 5- Deposits and Investments (continued)

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

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

Interim monies may be invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in the amount not to exceed twenty-five percent 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, 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, 2006

Note 5 - Deposits and Investments (continued)

Cash with Fiscal Agent The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 3007, was \$623,022.

Deposits At fiscal year end, the carrying amount of the School District's deposits was \$288,865, exclusive of the \$305,000 repurchase agreement amount included in investments below. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2006, \$222,862 of the School District's bank balance of \$322,862 was exposed to custodial risk as discussed below, while \$100,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the School District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve bank in the name of the School District.

Investments As of June 30, 2006, the School District had the following investments and maturities:

<i>Investment Type</i>	<i>Fair Value</i>	<i>6 months or Less</i>
STAROhio	\$1,980,384	\$1,980,384
Repurchase Agreement	305,000	305,000
<i>Totals</i>	<u>\$2,285,384</u>	<u>\$2,285,384</u>

The weighted average maturity of the investments is daily.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the School District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk. The School District's investments, repurchase agreements and STAR Ohio, were rated AAAM by Standard & Poor's.

Concentration of Credit Risk. The School District places no limit on the amount that may be invested to any one issuer. The following table includes the percentage of total of each investment type held by the School District at June 30, 2006:

<i>Investment Type</i>	<i>Fair Value</i>	<i>Percent Of Total</i>
STAROhio	\$1,980,384	86.65%
Repurchase Agreement	305,000	13.35
<i>Totals</i>	<u>\$2,285,384</u>	<u>100.00%</u>

Wellington Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent 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 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the values as of December 31, 2005. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out, the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. 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 Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2006 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 revenue.

The amount available as an advance at June 30, 2006, was \$900,560 and is recognized as revenue. \$753,530 was available to the general fund and \$147,030 was available to the building improvement capital projects 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.

Wellington Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 6 - Property Taxes (continued)

The assessed values upon which the fiscal year 2006 taxes were collected are:

	<i>2006 First Half Collections</i>		<i>2005 Second Half Collections</i>	
	<i>Amount</i>	<i>Percent</i>	<i>Amount</i>	<i>Percent</i>
Agricultural/Residential and Other Real Estate	\$163,821,880	88.66%	\$157,151,220	85.43%
Public Utility Personal	7,291,740	3.95	7,730,440	4.20
Tangible Personal Property	13,655,518	7.39	19,068,905	10.37
	\$184,769,138	100.00%	\$183,950,565	100.00%
Tax Rate per \$1,000 of assessed valuation	\$31.94		\$28.00	

Note 7 - Receivables

Receivables at June 30, 2006, consisted of property taxes, income taxes, accounts (rent, tuition and fees), intergovernmental grants, and interfunds. 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. All receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

<i>Governmental Activities</i>	<i>Amounts</i>
Title VI-B	\$28,170
Title I	20,891
Title II-D	1,729
Drug Free Grants	2,219
<i>Total</i>	\$53,009

Note 8 - Interfund Transactions

Interfund balances at June 30, 2006, consist of the following:

<i>Fund</i>	<i>Receivable</i>	<i>Payable</i>
<i>General</i>	\$483,441	\$0
<i>Capital Improvement Capital Projects Fund</i>		480,000
<i>Other Governmental Funds:</i>		
Athletic and Music	0	3,000
Title V	0	441
<i>Total Other Governmental Funds</i>	0	3,441
<i>Total All Funds</i>	\$483,441	\$483,441

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2006 are reported on the statement of net assets.

Wellington Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<i>Balance at 6/30/05</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance at 6/30/06</i>
<i>Governmental Activities:</i>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$1,430,520	\$0	\$0	\$1,430,520
<i>Total Capital Assets, not being depreciated</i>	<i>1,430,520</i>	<i>0</i>	<i>0</i>	<i>1,430,520</i>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	682,064	0	0	682,064
Buildings and Improvements	5,632,419	499,514	0	6,131,933
Furniture and Fixtures	723,792	52,856	(28,013)	748,635
Vehicles	656,510	0	0	656,510
Library and Textbooks	546,845	0	0	546,845
<i>Total Capital Assets, being depreciated</i>	<i>8,241,630</i>	<i>552,370</i>	<i>(28,013)</i>	<i>8,765,987</i>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(348,148)	(21,735)	0	(369,883)
Buildings and Buildings Improvements	(3,687,706)	(92,981)	0	(3,780,687)
Furniture and Fixtures	(461,785)	(36,198)	14,299	(483,684)
Vehicles	(146,878)	(78,865)	0	(225,743)
Library and Textbooks	(546,845)	(0)	0	(546,845)
<i>Total Accumulated Depreciation</i>	<i>(5,191,362)</i>	<i>(229,779)</i>	<i>14,299</i>	<i>(5,406,842)</i>
<i>Governmental Activities Capital Assets, Net</i>	<i>\$4,480,788</i>	<i>\$322,591</i>	<i>(\$13,714)</i>	<i>\$4,789,665</i>

Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
Regular	\$116,372
Special	2,231
Vocational	697
<i>Support Services:</i>	
Pupil	158
Instructional Staff	707
Administration	5,644
Fiscal	2,889
Operation and Maintenance of Plant	2,312
Pupil Transportation	78,865
Operation of Non-Instructional Services	6,173
Extracurricular Activities	13,731
Total Depreciation Expense	\$229,779

Wellington Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 10 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2006, the School District contracted with the Harcum-Schuett Agency Inc. for liability, fleet and property insurance coverage. Coverage is as follows:

	<i>Coverage</i>	<i>Deductible</i>
Buildings and Contents	\$27,551,161	\$1,000
Automobile Liability	2,000,000	250 – 1,000
Uninsured Motorists	1,000,000	250 – 1,000
Crime Insurance	25,000	1,000
General Liability:		
Per Occurrence	1,000,000	0
Aggregate	3,000,000	0

Settled claims have not exceeded this commercial coverage in any of the past three years.

For fiscal year 2006, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (G.P.), an insurance purchasing pool (Note 17). The intent of the G.P. is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the G.P. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the G.P. Each participant pays its workers' compensation premium to the State based on the rate for the G.P. rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the G.P. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the G.P. Participation in the G.P. is limited to school districts that can meet the G.P.'s selection criteria. The firm of Sheakley Unicorp Inc. provides administrative, cost control and actuarial services of the G.P.

The School District has contracted with the Lake Erie Regional Council of Governments (LERC) to provide employee medical/surgical and dental benefits. The LERC is a claims-servicing pool comprised of eleven districts. LERC's claims servicing pool business and affairs are conducted by a five member board of directors. Each member pays a monthly premium based on their claims history. All participating members retain their risk and LERC acts as the claims servicing agent. The claims liability of \$359,980 reported in the internal service fund at June 30, 2006 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Changes in claims activity for the past two fiscal years were as follows:

	<i>Balance at Beginning of Year</i>	<i>Current Year Claims</i>	<i>Claims Payments</i>	<i>Balance at End of Year</i>
2005	\$334,243	\$1,389,281	\$1,343,244	\$380,280
2006	380,280	1,514,049	1,534,349	359,980

Wellington Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 11 - Employee Benefits

A. Compensated Absences

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified, full-time administrators and non-bargaining unit employees earn 10 to 25 days of vacation per year, depending upon length of service and hours worked. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and elementary principals do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. There is no limit as to the amount of sick leave that may be accumulated. Upon retirement employees receive payment for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 65 days

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees. Life insurance is provided through Prudential Insurance Company of America. 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.

Note 12 - Defined Benefit Pension Plans

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues publicly available general purpose financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 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 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and the employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. 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. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

Wellington Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 12 - Defined Benefit Pension Plans (continued)

A. State Teachers Retirement System (continued)

A DB or Combined Plan member with five or more years of 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, 2006, plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required total contributions to STRS for the years ended June 30, 2006, 2005, and 2004 were \$799,442, \$790,383, and \$812,448, respectively; equal to the required contributions for each year. The full amount has been contributed for 2005 and 2004, 83 percent has been contributed for 2006, with the remainder being presented as "intergovernmental payable" in the statement of net assets.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (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. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employees are established and may be amended, up to statutory maximum amounts by the SERS' Retirement Board. The School District's required total contributions to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$233,205, \$252,360, and \$236,364, respectively; the full amount has been contributed for fiscal year 2005 and 2004, 53 percent has been contributed for fiscal year 2006, with the remainder being presented as "intergovernmental payable" in the statement of net assets.

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, 2006, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Wellington Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 13 - 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 funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The State Teachers Retirement 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 cost in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. The STRS board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$57,103, for fiscal year 2006.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.5 billion at June 30, 2006. For the year ended June 30, 2006, net health care costs paid by STRS were \$254,780,000 and STRS had 119,184 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 25 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 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. For the School District the amount contributed to fund health care benefits, including surcharge, equaled \$89,098 during the 2006 fiscal year.

The surcharge, added to the unallocated portion of the 14 percent 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 percent of the projected claims less premium contributions for the next fiscal year. Net health care costs for the year ending June 30, 2006 were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants currently receiving health care benefits.

Wellington Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 14 - Capital Leases

The School District has entered into capitalized leases for copiers. These leases meet the criteria of a capital lease as defined by the Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership of the lessee.

These capital assets have been capitalized in the amount of \$59,374. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments during fiscal year 2006 totaled \$13,631 from the general fund. The following is a schedule of the future minimum lease payments required under the capital leases agreement and the present value of the minimum lease payments as of June 30, 2006.

<i>Fiscal Year Ending June 30,</i>	<i>Amount</i>
2007	\$13,632
2008	13,632
2009	13,632
2010	5,681
<i>Total</i>	46,577
Less: Amount Representing Interest	(5,462)
<i>Present Value of Net Minimum Payments</i>	\$41,115

Note 15- Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2006 were as follows:

	<i>Balance</i>			<i>Balance</i> <i>Amounts Due</i>	
	<i>6/30/05</i>	<i>Additions</i>	<i>Deductions</i>	<i>6/30/06</i>	<i>In One Year</i>
<i>Compensated Absences</i>	\$439,895	\$542,069	\$(38,367)	\$943,597	\$20,008
<i>Capital Leases</i>	51,365	0	(10,250)	41,115	11,004
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	\$491,260	\$542,069	\$(48,617)	\$984,712	\$31,012

Compensated absences will be paid from the fund from which employee's are paid. The capital leases will be paid from the general fund. The School District overall debt limitation was \$17,553,068 at June 30, 2006.

Note 16 - Jointly Governed Organizations

A. Lake Erie Educational Computer Association (LEECA)

LEECA is a jointly governed computer service organization among thirty-one members in the Ohio counties of Cuyahoga, Lorain, Erie, Huron, and Medina. These members are comprised of various public school districts and educational service centers in the counties previously mentioned. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. LEECA is organized under Chapter 167 and 3313 of the Ohio Revised Code. The Educational Service Center of Lorain County serves as fiscal agent for LEECA and is one of the members mentioned above. LEECA is governed by an assembly which consists of a superintendent or designated representative from each participating member.

Wellington Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 16 - Jointly Governed Organizations (continued)

A. Lake Erie Educational Computer Association (LEECA) (continued)

LEECA has a Board of Directors chosen from the general membership of the LEECA Assembly which consists of a representative from the fiscal agent, chairmen of various committees, and at least one member from each participating county. The assembly exercises total control over the operation of the consortium including budgeting, appropriating, contracting and designating management. All the consortium revenues are generated from charges for services and State funding. Financial information can be obtained by writing the Treasurer of the Educational Service Center of Lorain County, 1885 Lake Ave., Elyria, Ohio 44035.

B. Lorain County Joint Vocational School District

The Lorain County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school district's elected boards, which possess its own budgeting and taxing authority. To obtain financial information write to the Lorain County Joint Vocational School District, 15181 State Route 58, Oberlin, Ohio 44074.

Note 17 - Public Entity Risk Pools

A. Lake Erie Regional Council of Government

The Lake Erie Regional Council of Government (LERC) is a shared risk pool which is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services. The Council, comprised of 11 Lorain County school districts, has a Health Benefits Program, a media center, a natural gas purchasing consortium, and a life insurance purchasing pool. Each member provided operating resources to LERC on a per-pupil or actual usage charge, except for health insurance.

B. Ohio School Plan

The Ohio School Plan (Plan) is a shared liability, property and fleet insurance risk pool which is governed by a board of thirteen school superintendents, business managers and treasurers. Harcum-Schuett, the insurance agency, has one board seat. OSBA, BASA and OASBO executive directors serve as ex-officio members. 450 educational entities are served by the Plan. The Plan's board elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Plan. All Plan revenues are generated from charges for services. For more information write to The Ohio School Plan, Harcum-Schuett Agency, Inc., 246 Sycamore Street, Columbus, Ohio 43206.

C. Ohio School Boards Association Worker's Compensation Group

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (Program), an insurance purchasing pool. The Program's business affairs are conducted by a three member Board of Directors consisting of the president, the president-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year the participating school districts pay enrollment fees to the Program to cover the costs of administering the program.

Wellington Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 18 - Contingencies

The School District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 June 30, 2006.

Note 19 – School District Income Tax

The School District levies a voted income tax of 1% on the resident’s income and on estates. The income tax has been effective since January 1, 1998 and was renewed during 2003 for five additional years. Employers of the School District’s residents are required to withhold income tax on compensation and remit the withheld tax to the State of Ohio. Once the income taxes have been collected by the State of Ohio, the State makes quarterly payments to the School District after withholding an administrative fee and estimated amounts for refunds. The income tax money is receipted in the general fund. Taxpayers are required to file a school district income tax return annually.

Note 20 - 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 the 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 purpose in future years.

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.

	<i>Textbooks</i>	<i>Capital Acquisition</i>
<i>Set-Aside Cash Balance as of June 30, 2005</i>	(\$30,536)	\$0
Current Year Set-Aside Requirement	228,263	228,263
Qualifying Disbursements	(143,771)	(560,786)
<i>Total</i>	\$53,956	(\$332,523)
<i>Set-Aside Cash Balance as of June 30, 2006</i>	\$53,956	\$0

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside to below zero for the capital acquisition set-aside requirement, this amount may not be used to reduce the set-aside requirement for future fiscal years. The negative balance is therefore not presented as being carried forward to future fiscal years.

This Page Intentionally Left Blank

**WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2006**

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U. S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through the Ohio Department of Education:</i>						
Food Distribution	n/a	10.550		\$38,141		\$38,141
Nutrition Cluster:						
National School Breakfast Program	045658 05 PU 06	10.553	\$25,384		\$25,384	
National School Lunch Program	045658 LL P4 06	10.555	159,531		159,531	
Total Nutrition Cluster			184,915	0	184,915	0
TOTAL U.S. DEPARTMENT OF AGRICULTURE			184,915	38,141	184,915	38,141
<u>U. S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through the Ohio Department of Education:</i>						
Title I Grants to Local Education Agencies	045658 C1 S1 05	84.010	35,550		24,671	
	045658 C1 S1 06	84.010	129,796		128,491	
Total Title I Grants to Local Education Agencies			165,346	0	153,162	0
Special Education - Grants to States	045658 6B SF 05	84.027	63,567		40,418	
	045658 6B SF 06	84.027	303,360		292,490	
Total Special Education - Grants to States			366,927	0	332,908	0
Safe and Drug-Free Schools and Communities State Grants	045658 DR S1 05	84.186	0		0	
	045658 DR S1 06	84.186	4,115		3,905	
Total Safe and Drug-Free Schools and Communities State Grants			4,115	0	3,905	0
State Grants for Innovative Programs	045658 C2 S1 06	84.298	4,947	0	5,388	0
Education Technology - State Grants	045658 TJ S1 05	84.318	(77)		0	
	045658 TJ S1 06	84.318	943		833	
Total Education Technology - State Grants			866	0	833	0
Improving Teacher Quality State Grants	045658 TR S1 05	84.367	0		57,365	
	045658 TR S1 06	84.367	58,923		55,741	
Total Improving Teacher Quality State Grants			58,923	0	113,106	0
TOTAL U.S. DEPARTMENT OF EDUCATION			601,124	0	609,302	0
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>Passed Through the Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
State Children's Health Insurance Program	N/A	93.767	306		306	
Medical Assistance Program - Medicaid Title XIX	N/A	93.778	2,197		2,197	
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			2,503	0	2,503	0
TOTAL ALL FEDERAL FUNDS			\$788,542	\$38,141	\$796,720	\$38,141

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 EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2006**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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 value of the commodities received.

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, each major fund, and the aggregate remaining fund information of Wellington Exempted Village School District (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 28, 2008 wherein we noted the District restated July 1, 2005 net assets due to the recognition of an internal service fund and July 1, 2005 General Fund balance was restated due to claims payable being recognized in the internal service fund instead of the General Fund. 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 to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. 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. A reportable condition is described in the accompanying schedule of findings as item 2006-002.

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 condition described above is a material weakness. In a separate letter to the District's management dated February 28, 2008, we reported other matters involving internal control over financial reporting which 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 an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001. In a separate letter to the District's management dated February 28, 2008, we reported other matters related to noncompliance we deemed immaterial.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA
Auditor of State

February 28, 2008



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 Wellington Exempted Village School District (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 programs for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. 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, Wellington Exempted Village School District complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended June 30, 2006.

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.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361
www.auditor.state.oh.us

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, Board of Education, and 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

February 28, 2008

**WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006**

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 noncompliance 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):	Special Education Grants to States CFDA # 84.027, The National School Lunch Program CFDA #10.555, & The National School Breakfast Program, CFDA 10.553
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006
(Continued)**

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

FINDING NUMBER 2006-001

Expenditures Exceeding Appropriations

Ohio Rev. Code Sections 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated. The following funds had final expenditures plus encumbrances exceeding authorized appropriations at the legal level of budgetary control on March 31, 2006:

Fund	Appropriations	Expenditures plus Encumbrances	Variance
Endowment Fund	\$38,505	\$46,652	\$(8,147)
Network Subsidy Payment Schoolnet	0	9,000	(9,000)
Professional Development	0	2,191	(2,191)
Title V	4,409	5,388	(979)
Title II-A	59,736	102,588	(42,852)
Permanent Improvement	140,234	844,736	(704,502)

This weakness could allow expenditures plus encumbrances in the above funds to exceed the total of the available fund balance. The District should compare appropriations to expenditures in all funds which are legally required to be budgeted, to ensure compliance with this requirement. This comparison should be performed on a monthly basis, at a minimum.

Official's Response:

All appropriations were subsequently approved by the Board at the April Board meeting and the negative variances were eliminated.

FINDING NUMBER 2006-002

Sales Project Potential Forms

Sales project potential forms were not completed for all activities of the District and in general, sales project forms were not prepared for those fundraising events in which cash was collected by students, parents or the advisor. These types of fundraisers were for "county fair" type games/events, or basketball intermission events in which dollar bills are collected from participants who have formed a line to take part in the event.

In accordance with the recently revised board policy establishing policies for managing student activities, all fundraising events must retain evidence of board approval and have an approved, and completed sales project form on file. All fundraising events should also retain evidence to support the amount deposited with the Treasurer, this would include when cash is collected without the sale of tickets or merchandise. Additionally, to increase the integrity of amounts collected for an event and deposited with the Treasurer, there should be at least two individuals who can count and then validate that amount deposited with the Treasurer with their signature/initials. Currently the district has no such procedure in place.

Failure to provide supporting documentation could result in errors and/or irregularities to occur and go undetected.

WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006
(Continued)

FINDING NUMBER 2006-002 (Continued)

Sales Project Potential Forms (Continued)

Adequate supporting documentation should be maintained for all student activity fundraisers. Additionally, the District should ensure appropriate measures are taken to increase the integrity of cash collected and deposited with the treasurer.

Official's 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.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Student activity sales potential forms and treasurer's review.	No	Finding repeated as 2006-002.
2005-002	Unauthorized opening of bank accounts.	Yes	Finding corrected and no longer valid.
2005-003	Requirements of Statement on Auditing Standards No. 70.	Yes	Finding corrected and no longer valid.
2005-004	Self insurance activity.	Yes	Finding corrected and no longer valid.
2005-005	Finding for recovery against Patrick M. Knoble.	No	Finding has not been repaid.



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
MARCH 27, 2008**