



**VILLAGE OF WELLINGTON  
LORAIN COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**



**Mary Taylor, CPA**  
Auditor of State



**VILLAGE OF WELLINGTON  
LORAIN COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Wellington, Lorain County, Ohio (the Village), as of and for the years ended December 31, 2007 and December 31, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village'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 provide a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Wellington, Lorain County, Ohio, as of December 31, 2007 and December 31, 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General and Railroad Grade Crossing Improvement Funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For 2007 the Village changed its budgetary statement presentation to match the level that was approved by the legislative authority.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 the Governmental Accounting Standards Board 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.

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

December 1, 2008

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
*UNAUDITED*

This discussion and analysis of the Village of Wellington, Ohio's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2007, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

**Financial Highlights**

Key highlights for 2007 are as follows

Net assets of governmental activities increased \$ 683,784 or 31.8 percent over 2006. This was primarily the result of a increases of \$ 276,102 in the General Fund and \$ 262,297 in the Capital Improvements Fund. The Railroad Crossing Improvement Fund had an increase of \$ 17,303, while Other Governmental Funds had a net increase of \$ 128,082.

The Village's general receipts are primarily municipal income taxes and property and other local taxes. These receipts represent respectively 40.1 percent and 18.3 percent of the total cash received for governmental activities during the year. Property tax receipts for 2007 changed very little compared to 2006 as development within the Village has slowed.

Net assets of business-type activities increased \$ 495,299 or 11.3 percent from 2006. This was primarily the result of an increase of \$ 572,487 in net assets of the Electric Fund. Net assets in the Water Fund increased by \$ 37,152. Net assets in the Sewer Fund and Other Enterprise Funds decreased by \$ 113,274 and \$ 1,066, respectively.

**Using the Basic Financial Statements**

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

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

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

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

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
*UNAUDITED*

**Basis of Accounting**

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

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

**Government-wide Financial Statements**

The statement of net assets and the statement of activities reflect how the Village did financially during 2007, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

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

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

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

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

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
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**Fund Financial Statements**

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

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

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

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

**The Village as a Whole**

Table 1 provides a summary of the Village's net assets for 2007 compared to 2006 on a cash basis:

|  | Net Assets              |                     |                          |                     |                     |                     |
|--|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
|  | Governmental Activities |                     | Business-type Activities |                     | Total               |                     |
|  | 2007                    | 2006                | 2007                     | 2006                | 2007                | 2006                |
| <b>Assets</b>                              |                         |                     |                          |                     |                     |                     |
| Equity in pooled cash and cash equivalents | \$ 2,836,374            | \$ 2,152,590        | \$ 4,882,739             | \$ 4,387,440        | \$ 7,719,113        | \$ 6,540,030        |
| <b>Total assets</b>                        | <b>\$ 2,836,374</b>     | <b>\$ 2,152,590</b> | <b>\$ 4,882,739</b>      | <b>\$ 4,387,440</b> | <b>\$ 7,719,113</b> | <b>\$ 6,540,030</b> |
| <b>Net assets</b>                          |                         |                     |                          |                     |                     |                     |
| Restricted for:                            |                         |                     |                          |                     |                     |                     |
| Capital projects                           | \$ 918,435              | \$ 656,138          | \$ -                     | \$ -                | \$ 918,435          | \$ 656,138          |
| Debt service                               | 76,895                  | 77,715              | -                        | -                   | 76,895              | 77,715              |
| Other purposes                             | 813,841                 | 667,635             | -                        | -                   | 813,841             | 667,635             |
| Unrestricted                               | 1,027,203               | 751,102             | 4,882,739                | 4,387,440           | 5,909,942           | 5,138,542           |
| <b>Total net assets</b>                    | <b>\$ 2,836,374</b>     | <b>\$ 2,152,590</b> | <b>\$ 4,882,739</b>      | <b>\$ 4,387,440</b> | <b>\$ 7,719,113</b> | <b>\$ 6,540,030</b> |

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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As mentioned previously, net assets of governmental activities increased \$ 683,784 or 31.8 percent during 2007.

Table 2 reflects the changes in net assets in 2007 compared to 2006 on a cash basis.

**Table 2**  
**Change in Net Assets**

|                                    | Governmental Activities |            | Business-type Activities |              | Total        |              |
|------------------------------------|-------------------------|------------|--------------------------|--------------|--------------|--------------|
|                                    | 2007                    | 2006       | 2007                     | 2006         | 2007         | 2006         |
| Receipts                           |                         |            |                          |              |              |              |
| Program receipts                   |                         |            |                          |              |              |              |
| Charges for services               | \$ 135,297              | \$ 301,713 | \$ 7,449,929             | \$ 8,182,295 | \$ 7,585,226 | \$ 8,484,008 |
| Operating grants and contributions | 60,523                  | 57,141     | -                        | -            | 60,523       | 57,141       |
| Capital grants and contributions   | 439,813                 | 386,754    | 17,500                   | 13,700       | 457,313      | 400,454      |
| Total program receipts             | 635,633                 | 745,608    | 7,467,429                | 8,195,995    | 8,103,062    | 8,941,603    |
| General receipts                   |                         |            |                          |              |              |              |
| Property and other local taxes     | 671,204                 | 657,699    | -                        | -            | 671,204      | 657,699      |
| Municipal income taxes             | 1,474,036               | 1,431,797  | -                        | -            | 1,474,036    | 1,431,797    |
| Grants and entitlements            | 512,867                 | 444,608    | -                        | -            | 512,867      | 444,608      |
| Bonds issued                       | -                       | -          | -                        | -            | -            | -            |
| Notes issued                       | -                       | -          | 464,880                  | 1,476,927    | 464,880      | 1,476,927    |
| Other debt issued                  | -                       | -          | -                        | -            | -            | -            |
| Sale of capital assets             | -                       | -          | -                        | -            | -            | -            |
| Interest                           | 355,948                 | 354,184    | 311                      | 178          | 356,259      | 354,362      |
| Other                              | 23,976                  | 1,829      | 548,981                  | 9,493        | 572,957      | 11,322       |
| Total general receipts             | 3,038,031               | 2,890,117  | 1,014,172                | 1,486,598    | 4,052,203    | 4,376,715    |
| Total receipts                     | 3,673,664               | 3,635,725  | 8,481,601                | 9,682,593    | 12,155,265   | 13,318,318   |

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
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**Table 2**  
**Change in Net Assets**  
(Continued)

|                                   | Governmental Activities |                     | Business-type Activities |                     | Total               |                     |
|-----------------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
|                                   | 2007                    | 2006                | 2007                     | 2006                | 2007                | 2006                |
| Program cash disbursements        |                         |                     |                          |                     |                     |                     |
| General government                | \$ 346,351              | \$ 571,012          | \$ -                     | \$ -                | \$ 346,351          | \$ 571,012          |
| Security of persons and property  | 846,527                 | 850,464             | -                        | -                   | 846,527             | 850,464             |
| Public health services            | 54,749                  | 51,670              | -                        | -                   | 54,749              | 51,670              |
| Leisure time activities           | 66,749                  | 49,855              | -                        | -                   | 66,749              | 49,855              |
| Community environment             | 109,575                 | 111,010             | -                        | -                   | 109,575             | 111,010             |
| Transportation                    | 821,169                 | 821,257             | -                        | -                   | 821,169             | 821,257             |
| Capital outlay                    | 669,831                 | 754,736             | -                        | -                   | 669,831             | 754,736             |
| Principal                         | 59,775                  | 65,400              | -                        | -                   | 59,775              | 65,400              |
| Interest                          | 15,154                  | 22,593              | -                        | -                   | 15,154              | 22,593              |
| Water                             | -                       | -                   | 1,271,943                | 2,212,532           | 1,271,943           | 2,212,532           |
| Sewer                             | -                       | -                   | 893,033                  | 841,714             | 893,033             | 841,714             |
| Electric                          | -                       | -                   | 5,490,409                | 5,575,462           | 5,490,409           | 5,575,462           |
| Refuse                            | -                       | -                   | 269,071                  | 220,430             | 269,071             | 220,430             |
| Other                             | -                       | -                   | 61,846                   | 60,182              | 61,846              | 60,182              |
| Total program disbursements       | <u>2,989,880</u>        | <u>3,297,997</u>    | <u>7,986,302</u>         | <u>8,910,320</u>    | <u>10,976,182</u>   | <u>12,208,317</u>   |
| Transfers                         | -                       | (100,000)           | -                        | 100,000             | -                   | -                   |
| Increase (decrease) in net assets | 683,784                 | 237,728             | 495,299                  | 872,273             | 1,179,083           | 1,110,001           |
| Net assets, at beginning of year  | <u>2,152,590</u>        | <u>1,914,862</u>    | <u>4,387,440</u>         | <u>3,515,167</u>    | <u>6,540,030</u>    | <u>5,430,029</u>    |
| Net assets, at end of year        | <u>\$ 2,836,374</u>     | <u>\$ 2,152,590</u> | <u>\$ 4,882,739</u>      | <u>\$ 4,387,440</u> | <u>\$ 7,719,113</u> | <u>\$ 6,540,030</u> |

**Governmental Activities**

Program receipts represent 17.3 percent of total receipts and are primarily comprised of charges for services and capital grants and contributions.

General receipts represent 82.7 percent of the Village's total receipts of governmental activities, and of this amount, over 70.6 percent are local taxes. Other receipts are very insignificant and somewhat unpredictable revenue sources.

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

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

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
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If you look at the Statement of Activities on page 12, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property, transportation and capital outlay which account for 28.3, 27.5, and 22.4 percent, of all governmental disbursements, respectively. General government also represents a significant cost, about 11.6 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**Table 3**  
Governmental Activities

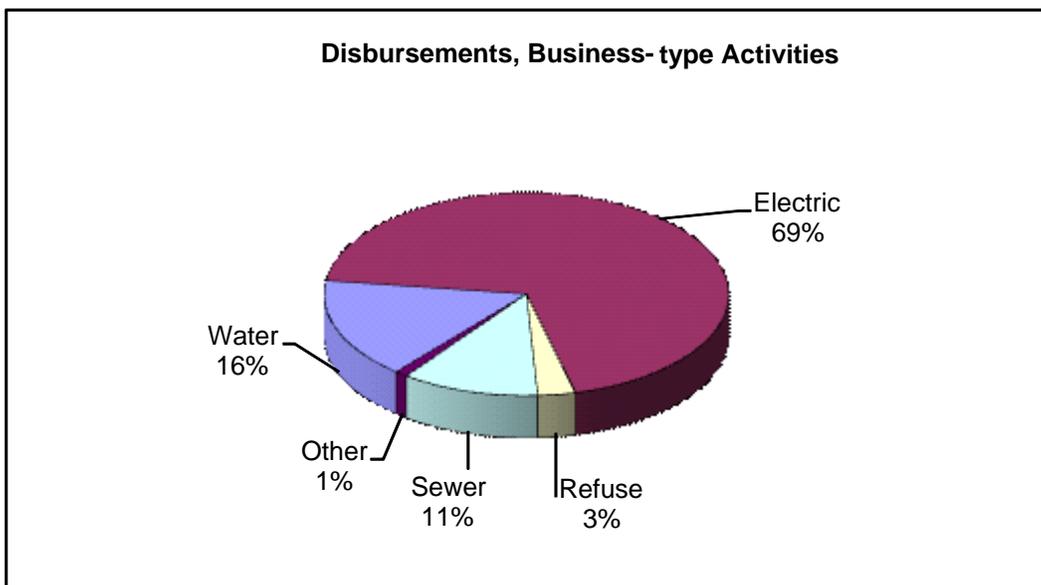
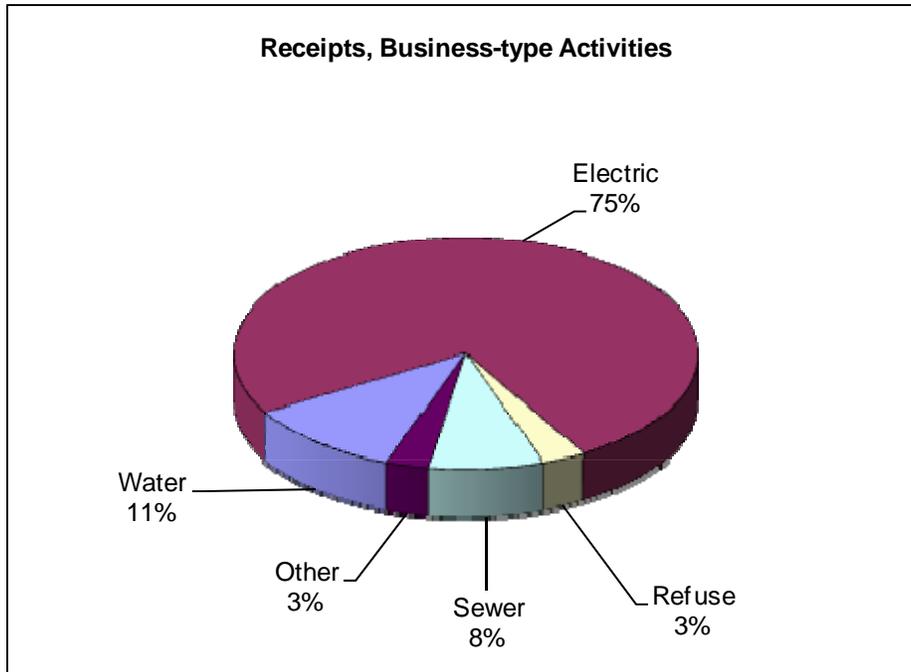
|                                  | Total<br>Cost of<br>Services | Net<br>Cost of<br>Services |
|----------------------------------|------------------------------|----------------------------|
| Governmental activities          |                              |                            |
| General government               | \$ 346,351                   | \$ 244,643                 |
| Security of persons and property | 846,527                      | 823,213                    |
| Public health services           | 54,749                       | 54,749                     |
| Leisure time activities          | 66,749                       | 52,078                     |
| Community environment            | 109,575                      | 63,814                     |
| Transportation                   | 821,169                      | 746,071                    |
| Capital outlay                   | 669,831                      | 294,750                    |
| Principal                        | 59,775                       | 59,775                     |
| Interest and fiscal charges      | 15,154                       | 15,154                     |
| Total governmental activities    | \$ 2,989,880                 | \$ 2,354,247               |

The dependence upon property and income tax receipts is apparent as 58.4 percent of governmental activities are supported through these general receipts.

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Business-type Activities**

Charges for services is the primary source of receipts for the business-type activities. Program cash receipts were \$ 728,566 lower in 2007. Disbursements for both water and sewer operations exceeded their operating receipts.



VILLAGE OF WELLINGTON  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
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**The Village's Funds**

Total governmental funds had receipts of \$ 3,673,664 and disbursements of \$ 2,989,880. The greatest changes within governmental funds occurred within the General Fund and the Capital Improvements Fund. The fund balance of the General Fund increased \$ 276,102 and the fund balance of the Capital Improvements Fund increased \$ 262,297.

**General Fund Budgeting Highlights**

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

During 2007, the Village amended its General Fund budget twice to reflect changing circumstances. Final budgeted receipts were the same as original budgeted receipts. Actual receipts were less than the final budgeted amount by \$ 229,358.

Final disbursements were budgeted at \$ 2,669,800 while actual disbursements were \$ 2,251,567.

**Capital Assets**

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

**Debt**

Outstanding debt obligations of the Village consisted of:

|                    | Governmental Activities |                   | Business-type Activities |                     | Total               |                     |
|--------------------|-------------------------|-------------------|--------------------------|---------------------|---------------------|---------------------|
|                    | 2007                    | 2006              | 2007                     | 2006                | 2007                | 2006                |
| OWDA loan          | \$ -                    | \$ -              | \$ 6,394,413             | \$ 6,140,603        | \$ 6,394,413        | \$ 6,140,603        |
| Bonds              |                         |                   |                          |                     |                     |                     |
| Special assessment | 184,277                 | 230,426           | -                        | -                   | 184,277             | 230,426             |
| OPWC loan          | 163,519                 | 177,145           | 111,999                  | 120,655             | 275,518             | 297,800             |
|                    | <u>\$ 347,796</u>       | <u>\$ 407,571</u> | <u>\$ 6,506,412</u>      | <u>\$ 6,261,258</u> | <u>\$ 6,854,208</u> | <u>\$ 6,668,829</u> |

The OWDA loan relates to water, sewer and storm sewer projects. The general obligation bonds are for improvements to the Village's electric utility. OPWC loans financed waterline improvements and replacements. The special assessment bonds were issued for street construction. For further information regarding the Village's debt, refer to Note 10 to the basic financial statements.

**Current Issues**

The Village has obtained an OWDA loan to fund the construction of two 250,000 gallon water tanks. The term of the loan is thirty years, with an approximate annual debt service of \$ 130,000. The Water Fund finances the semi-annual payments and the payments began on July 1, 2007. The Village obtained an OPWC grant for \$224,000.00 and a \$24,000.00 loan (0%) for the reconstruction of Jones Street. Jones Street residents were assessed \$160,090.87 and the remainder was financed by the Capital Improvement Fund.

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
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**Contacting the Village's Financial Management**

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

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VILLAGE OF WELLINGTON  
LORAIN COUNTY  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2007

|   | Governmental<br>Activities | Business-type<br>Activities | Total               |
|---|----------------------------|-----------------------------|---------------------|
| <b>Assets</b>                                 |                            |                             |                     |
| Equity in pooled cash<br>and cash equivalents | \$ 2,836,374               | \$ 4,882,739                | \$ 7,719,113        |
| <b>Total assets</b>                           | <b>\$ 2,836,374</b>        | <b>\$ 4,882,739</b>         | <b>\$ 7,719,113</b> |
| <b>Net assets</b>                             |                            |                             |                     |
| Restricted for:                               |                            |                             |                     |
| Capital projects                              | \$ 918,435                 | \$ -                        | \$ 918,435          |
| Debt service                                  | 76,895                     | -                           | 76,895              |
| Highways and streets                          | 762,472                    | -                           | 762,472             |
| Security of persons and property              | 28,353                     | -                           | 28,353              |
| Recreation                                    | 23,016                     | -                           | 23,016              |
| Unrestricted                                  | 1,027,203                  | 4,882,739                   | 5,909,942           |
| <b>Total net assets</b>                       | <b>\$ 2,836,374</b>        | <b>\$ 4,882,739</b>         | <b>\$ 7,719,113</b> |

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007

|                                  | Cash<br>Disbursements | Program Cash Receipts                |  |  |
|----------------------------------|-----------------------|--------------------------------------|--|--|
|                                  |                       | Charges<br>for Services<br>and Sales | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |
| Governmental activities          |                       |                                      |  |  |
| General government               | \$ 346,351            | \$ 101,708                           | \$ -                                     | \$ -                                   |
| Security of persons and property | 846,527               | 12,722                               | 10,592                                   | -                                      |
| Public health services           | 54,749                | -                                    | -  | -                                      |
| Leisure time activities          | 66,749                | 10,501                               | 4,170                                    | -                                      |
| Community environment            | 109,575               | -                                    | 45,761                                   | -                                      |
| Transportation                   | 821,169               | -                                    | -  | 75,098                                 |
| Capital outlay                   | 669,831               | 10,366                               | -  | 364,715                                |
| Principal                        | 59,775                | -                                    | -  | -                                      |
| Interest and fiscal charges      | 15,154                | -                                    | -  | -                                      |
| Total governmental activities    | <u>2,989,880</u>      | <u>135,297</u>                       | <u>60,523</u>                            | <u>439,813</u>                         |
| Business-type activities         |                       |                                      |  |  |
| Water                            | 1,271,943             | 847,873                              | -  | 10,500                                 |
| Sewer                            | 893,033               | 209,620                              | -  | 7,000                                  |
| Electric                         | 5,490,409             | 6,062,896                            | -  | -                                      |
| Refuse                           | 269,071               | 245,845                              | -  | -                                      |
| Other                            | 61,846                | 83,695                               | -  | -                                      |
| Total business-type activities   | <u>7,986,302</u>      | <u>7,449,929</u>                     | <u>-</u>                                 | <u>17,500</u>                          |
| Total                            | <u>\$ 10,976,182</u>  | <u>\$ 7,585,226</u>                  | <u>\$ 60,523</u>                         | <u>\$ 457,313</u>                      |

General receipts  
  Property taxes levied for general purposes  
  Other local taxes  
  Municipal income taxes  
  Grants and entitlements not restricted to specific programs  
  Bonds issued  
  Notes issued  
  Interest  
  Other  
Total general receipts

Change in net assets

Net assets at beginning of year

Net assets at end of year

See accompanying notes to the basic financial statements.

Net (Disbursements) Receipts and Changes in Net Assets

| Governmental<br>Activities | Business-type<br>Activities | Total               |
|----------------------------|-----------------------------|---------------------|
| \$ (244,643)               | \$ -                        | \$ (244,643)        |
| (823,213)                  | -                           | (823,213)           |
| (54,749)                   | -                           | (54,749)            |
| (52,078)                   | -                           | (52,078)            |
| (63,814)                   | -                           | (63,814)            |
| (746,071)                  | -                           | (746,071)           |
| (294,750)                  | -                           | (294,750)           |
| (59,775)                   | -                           | (59,775)            |
| (15,154)                   | -                           | (15,154)            |
| <u>(2,354,247)</u>         | <u>-</u>                    | <u>(2,354,247)</u>  |
| -                          | (413,570)                   | (413,570)           |
| -                          | (676,413)                   | (676,413)           |
| -                          | 572,487                     | 572,487             |
| -                          | (23,226)                    | (23,226)            |
| -                          | 21,849                      | 21,849              |
| -                          | (518,873)                   | (518,873)           |
| <u>(2,354,247)</u>         | <u>(518,873)</u>            | <u>(2,873,120)</u>  |
| 383,232                    | -                           | 383,232             |
| 287,972                    | -                           | 287,972             |
| 1,474,036                  | -                           | 1,474,036           |
| 512,867                    | -                           | 512,867             |
| -                          | -                           | -                   |
| -                          | 464,880                     | 464,880             |
| 355,948                    | 311                         | 356,259             |
| 23,976                     | 548,981                     | 572,957             |
| <u>3,038,031</u>           | <u>1,014,172</u>            | <u>4,052,203</u>    |
| 683,784                    | 495,299                     | 1,179,083           |
| <u>2,152,590</u>           | <u>4,387,440</u>            | <u>6,540,030</u>    |
| <u>\$ 2,836,374</u>        | <u>\$ 4,882,739</u>         | <u>\$ 7,719,113</u> |

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES -  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2007

|   | General Fund        | Railroad Grade<br>Crossing<br>Improvement<br>Fund | Capital<br>Improvements<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|---|---------------------------------|--------------------------------|--------------------------------|
| <b>Assets</b>                                 |                     |   |                                 |                                |                                |
| Equity in pooled cash<br>and cash equivalents | \$ 1,027,204        | \$ 366,281  | \$ 918,435                      | \$ 524,454                     | \$ 2,836,374                   |
| <b>Total assets</b>                           | <b>\$ 1,027,204</b> | <b>\$ 366,281</b>                                 | <b>\$ 918,435</b>               | <b>\$ 524,454</b>              | <b>\$ 2,836,374</b>            |
| <b>Fund balances</b>                          |                     |   |                                 |                                |                                |
| Reserved for encumbrances                     | 72,915              | -   | 102,461                         | 39,998                         | 215,374                        |
| Unreserved reported in:                       |                     |   |                                 |                                |                                |
| General fund                                  | 954,289             | -   | -                               | -                              | 954,289                        |
| Special revenue funds                         | -                   | 366,281   | -                               | 407,561                        | 773,842                        |
| Debt service funds                            | -                   | -   | -                               | 76,895                         | 76,895                         |
| Capital projects                              | -                   | -   | 815,974                         | -                              | 815,974                        |
| <b>Total net assets</b>                       | <b>\$ 1,027,204</b> | <b>\$ 366,281</b>                                 | <b>\$ 918,435</b>               | <b>\$ 524,454</b>              | <b>\$ 2,836,374</b>            |

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON  
LORAIN COUNTY

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

FOR THE YEAR ENDED DECEMBER 31, 2007

|   | General             | Railroad Grade<br>Crossing<br>Improvement<br>Fund | Capital<br>Improvements<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|---|---------------------------------|--------------------------------|--------------------------------|
| <b>Revenues</b>                           |                     |   |                                 |                                |                                |
| Municipal income tax                      | \$ 1,105,523        | \$ -  | \$ 368,513                      | \$ -                           | \$ 1,474,036                   |
| Property and other taxes                  | 599,907             | -   | -                               | 71,297                         | 671,204                        |
| Special assessments                       | -                   | -   | 29,876                          | 74,109                         | 103,985                        |
| Charges for services                      | 45,390              | -   | 4,573                           | 10,697                         | 60,660                         |
| Fines, licenses and permits               | 41,476              | -   | -                               | -                              | 41,476                         |
| Intergovernmental                         | 322,688             | -   | 326,621                         | 259,909                        | 909,218                        |
| Interest                                  | 282,633             | 17,303  | -                               | 56,012                         | 355,948                        |
| Contributions and donations               | 13,770              | -   | -                               | -                              | 13,770                         |
| Miscellaneous                             | 43,367              | -   | -                               | -                              | 43,367                         |
| <b>Total revenues</b>                     | <b>2,454,754</b>    | <b>17,303</b>                                     | <b>729,583</b>                  | <b>472,024</b>                 | <b>3,673,664</b>               |
| <b>Expenditures</b>                       |                     |   |                                 |                                |                                |
| <b>Current</b>                            |                     |   |                                 |                                |                                |
| General government                        | 346,351             | -   | -                               | -                              | 346,351                        |
| Security of persons and property          | 827,079             | -   | -                               | 19,448                         | 846,527                        |
| Public health services                    | 4,908               | -   | -                               | 49,841                         | 54,749                         |
| Leisure time activities                   | 51,287              | -   | -                               | 15,462                         | 66,749                         |
| Community environment                     | 109,575             | -   | -                               | -                              | 109,575                        |
| Transportation                            | 709,701             | -   | -                               | 111,468                        | 821,169                        |
| Capital outlay                            | 129,751             | -   | 467,286                         | 72,794                         | 669,831                        |
| Debt service                              |                     |   |                                 |                                |                                |
| Principal                                 | -                   | -   | -                               | 59,775                         | 59,775                         |
| Interest and fiscal charges               | -                   | -   | -                               | 15,154                         | 15,154                         |
| <b>Total disbursements</b>                | <b>2,178,652</b>    | <b>-</b>  | <b>467,286</b>                  | <b>343,942</b>                 | <b>2,989,880</b>               |
| <b>Net change in fund balances</b>        | <b>276,102</b>      | <b>17,303</b>                                     | <b>262,297</b>                  | <b>128,082</b>                 | <b>683,784</b>                 |
| <b>Fund balances at beginning of year</b> | <b>751,102</b>      | <b>348,978</b>                                    | <b>656,138</b>                  | <b>396,372</b>                 | <b>2,152,590</b>               |
| <b>Fund balances at end of year</b>       | <b>\$ 1,027,204</b> | <b>\$ 366,281</b>                                 | <b>\$ 918,435</b>               | <b>\$ 524,454</b>              | <b>\$ 2,836,374</b>            |

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
STATEMENT OF CASH RECEIPTS, DISBURSMENTS AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – BUDGET BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2007

|                                      | GENERAL FUND             |                          |                          | Variance w ith<br>Final Budget<br>Positive<br>(Negative) |
|--------------------------------------|--------------------------|--------------------------|--------------------------|--|
|                                      | Budget Amounts           |                          | Actual                   |  |
|                                      | Original                 | Final                    |                          |  |
| Revenues                             | \$ 2,684,112             | \$ 2,684,112             | \$ 2,454,754             | \$ (229,358)   |
| Expenditures                         | <u>2,503,000</u>         | <u>2,669,800</u>         | <u>2,251,567</u>         | <u>418,233</u>   |
| Net change in fund balances          | 181,112                  | 14,312                   | 203,187                  | 188,875  |
| Prior year encumbrances appropriated | 140,922                  | 140,922                  | 140,922                  | -  |
| Fund balance at beginning of year    | <u>610,180</u>           | <u>610,180</u>           | <u>610,180</u>           | <u>-</u>   |
| Fund balance at end of year          | <u><u>\$ 932,214</u></u> | <u><u>\$ 765,414</u></u> | <u><u>\$ 954,289</u></u> | <u><u>\$ 188,875</u></u>                                 |

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
STATEMENT OF CASH RECEIPTS, DISBURSMENTS AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – BUDGET BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2007

|                                      | Budget Amounts    |                   |                   | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--------------------------------------|-------------------|-------------------|-------------------|---|
|                                      | Original          | Final             | Actual            |   |
|                                      | _____             | _____             | _____             |   |
| Revenues                             | \$ 13,000         | \$ 13,000         | \$ 17,303         | \$ 4,303  |
| Expenditures                         | -                 | -                 | -                 | -   |
| Net change in fund balances          | 13,000            | 13,000            | 17,303            | 4,303   |
| Prior year encumbrances appropriated | -                 | -                 | -                 | -   |
| Fund balance at beginning of year    | 348,978           | 348,978           | 348,978           | -   |
| Fund balance at end of year          | <u>\$ 361,978</u> | <u>\$ 361,978</u> | <u>\$ 366,281</u> | <u>\$ 4,303</u>   |

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
STATEMENT OF FUND NET ASSETS – CASH BASIS  
PROPRIETARY FUNDS  
DECEMBER 31, 2007

|   | <u>Water</u>      | <u>Sew er</u>       | <u>Electric</u>     | <u>Other<br/>Enterprise<br/>Funds</u> | <u>Total<br/>Enterprise<br/>Funds</u> |
|---|-------------------|---------------------|---------------------|---------------------------------------|---------------------------------------|
| Assets  |                   |                     |                     |                                       |                                       |
| Equity in pooled cash<br>and cash equivalents | \$ 529,776        | \$ 1,223,674        | \$ 2,820,160        | \$ 309,129                            | \$ 4,882,739                          |
| Total assets                                  | <u>\$ 529,776</u> | <u>\$ 1,223,674</u> | <u>\$ 2,820,160</u> | <u>\$ 309,129</u>                     | <u>\$ 4,882,739</u>                   |
| Net assets                                    |                   |                     |                     |                                       |                                       |
| Unrestricted                                  | \$ 529,776        | \$ 1,223,674        | \$ 2,820,160        | \$ 309,129                            | \$ 4,882,739                          |
| Total net assets                              | <u>\$ 529,776</u> | <u>\$ 1,223,674</u> | <u>\$ 2,820,160</u> | <u>\$ 309,129</u>                     | <u>\$ 4,882,739</u>                   |

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON  
LORAIN COUNTY

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS

DECEMBER 31, 2007

|  | Water             | Sewer               | Electric            | Other<br>Enterprise<br>Funds | Total<br>Enterprise<br>Funds |
|--|-------------------|---------------------|---------------------|------------------------------|------------------------------|
| Operating receipts                         |                   |                     |                     |                              |                              |
| Charges for services                       | \$ 839,943        | \$ 754,708          | \$ 5,870,791        | \$ 320,361                   | \$ 7,785,803                 |
| Interest                                   | -                 | -                   | -                   | 311                          | 311                          |
| Miscellaneous                              | 7,930             | 3,893               | 192,105             | 9,179                        | 213,107                      |
| Total operating receipts                   | <u>847,873</u>    | <u>758,601</u>      | <u>6,062,896</u>    | <u>329,851</u>               | <u>7,999,221</u>             |
| Operating disbursements                    |                   |                     |                     |                              |                              |
| Personal services                          | 412,733           | 365,562             | 720,193             | -                            | 1,498,488                    |
| Travel transportation                      | 1,115             | 532                 | 2,302               | -                            | 3,949                        |
| Contractual services                       | 29,048            | 31,569              | 4,440,542           | 324,737                      | 4,825,896                    |
| Materials and supplies                     | 132,858           | 89,050              | 156,053             | 6,180                        | 384,141                      |
| Capital outlay                             | 478,262           | 38,747              | 171,319             | -                            | 688,328                      |
| Total operating disbursements              | <u>1,054,016</u>  | <u>525,460</u>      | <u>5,490,409</u>    | <u>330,917</u>               | <u>7,400,802</u>             |
| Operating income (loss)                    | <u>(206,143)</u>  | <u>233,141</u>      | <u>572,487</u>      | <u>(1,066)</u>               | <u>598,419</u>               |
| Non-operating receipts / disbursements     |                   |                     |                     |                              |                              |
| Principal paid                             | (69,619)          | (150,107)           | -                   | -                            | (219,726)                    |
| Interest and fiscal charges                | (148,308)         | (217,466)           | -                   | -                            | (365,774)                    |
| Notes issued                               | 450,722           | 14,158              | -                   | -                            | 464,880                      |
| Total non-operating receipts/disbursements | <u>232,795</u>    | <u>(353,415)</u>    | <u>-</u>            | <u>-</u>                     | <u>(120,620)</u>             |
| Income (loss) before contributions         | 26,652            | (120,274)           | 572,487             | (1,066)                      | 477,799                      |
| Capital contributions - tap fees           | <u>10,500</u>     | <u>7,000</u>        | <u>-</u>            | <u>-</u>                     | <u>17,500</u>                |
| Change in net assets                       | 37,152            | (113,274)           | 572,487             | (1,066)                      | 495,299                      |
| Net assets at beginning of year            | <u>492,624</u>    | <u>1,336,948</u>    | <u>2,247,673</u>    | <u>310,195</u>               | <u>4,387,440</u>             |
| Net assets at end of year                  | <u>\$ 529,776</u> | <u>\$ 1,223,674</u> | <u>\$ 2,820,160</u> | <u>\$ 309,129</u>            | <u>\$ 4,882,739</u>          |

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
STATEMENT OF NET ASSETS –  
FIDUCIARY FUNDS  
DECEMBER 31, 2007

|   | Agency    |
|---|-----------|
| Assets  |           |
| Equity in pooled cash<br>and cash equivalents | \$ 44,990 |
| Total assets                                  | 44,990    |
| <br>Net assets                                |           |
| Unrestricted                                  | 44,990    |
| Total net assets                              | \$ 44,990 |

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 1 – REPORTING ENTITY

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

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

A. PRIMARY GOVERNMENT

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

B. COMPONENT UNITS

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

C. JOINTLY GOVERNED ORGANIZATIONS

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

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

D. JOINT VENTURE WITH EQUITY INTEREST

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

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

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

A. BASIS OF PRESENTATION

The Village's basic financial statements consist of government-wide financial 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 Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

Fund Financial Statements

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

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

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. FUND ACCOUNTING

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

Governmental Funds

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

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

Railroad Grade Crossing Improvement Fund – This fund is used to account for monies to be used for a railroad underpass.

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

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

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service.

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

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

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

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

Fiduciary Funds

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

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF ACCOUNTING

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

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

D. BUDGETARY PROCESS

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

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund level for all funds. This is contrary to Ohio Revised Code Section 5705.38(C) which requires "subdivisions" other than schools to separately appropriate the amounts for each office, department, and division, and, within each, the amount appropriated for personal services.

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

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

E. CASH AND INVESTMENTS

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

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. CASH AND INVESTMENTS (continued)

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

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

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2007.

F. RESTRICTED ASSETS

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

I. INVENTORY AND PREPAID ITEMS

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

H. CAPITAL ASSETS

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

I. INTERFUND RECEIVABLES/PAYABLES

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

J. ACCUMULATED LEAVE

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

VILLAGE OF WELLINGTON  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. EMPLOYER CONTRIBUTIONS TO COST-SHARING PENSION PLANS

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. LONG-TERM OBLIGATIONS

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

M. NET ASSETS

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

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available. As of December 31, 2007, net assets restricted by enabling legislation were \$ 76,895 in the statement of net assets.

N. FUND BALANCE RESERVES

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

O. INTERFUND TRANSACTIONS

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

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

VILLAGE OF WELLINGTON  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**NOTE 3 – BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund and the Railroad Grade Crossing Improvement Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is that outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$ 72,914 for the General Fund. There were no outstanding encumbrances for the Railroad Grade Crossing Improvement Fund.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

At year end, the Village had \$ 400 in cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying amount of the Village's deposits was \$ 2,022,901 and the bank balance was \$ 2,042,511. Of the bank balance, \$ 200,000 was covered by federal depository insurance and \$ 1,842,511 was uninsured. Of the remaining balance, \$ 1,842,511 was collateralized with securities held by the pledging institution's trust department not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

Investments

As of December 31, 2007, the Village had the following investments:

|                             | Weighted Average<br>Maturities Years | Fair Value          |
|-----------------------------|--------------------------------------|---------------------|
| STAROhio                    | n/a                                  | 5,687,802           |
| Local government securities | n/a                                  | 53,000              |
|                             |                                      | <u>\$ 5,740,802</u> |

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

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

STAROhio carries a rating of AAAM by Standard & Poor's. Ohio Law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The Village has no investment policy that would further limit its investment choices.

The Village places no limit on the amount that may be invested in any one issuer. The following is the Village's allocation as of December 31, 2007:

|                             | Percentage<br>of Investments |
|-----------------------------|------------------------------|
| STAROhio                    | 99.1%                        |
| Local government securities | 0.9%                         |

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 5 – INCOME TAXES

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

NOTE 6 – PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2006, were levied after October 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2007 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory is 12.5 percent for 2007. This will be reduced to 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, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2007, was \$ 4.40 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

|                                  | 2007<br>Collection Year |
|----------------------------------|-------------------------|
| Property valuation consisted of: |                         |
| Real property                    | \$ 87,902,450           |
| Public utility property          | 1,895,860               |
| Tangible personal property       | 12,326,418              |
| Total valuation                  | \$ 102,124,728          |

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 7 – RISK MANAGEMENT

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

NOTE 8– DEFINED BENEFIT PENSION PLANS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2007, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9.75 percent. The Village contributed at a total rate of 13.85%. The portion of the Village's contributions allocated to health care was 5.00% from January 1 through June 30, 2007 and 6.00% from July 1 through December 31, 2007. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$ 155,243, \$ 168,874, and \$ 165,712 respectively. The Village has paid all contributions required through December 31, 2007.

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 8— DEFINED BENEFIT PENSION PLANS (continued)

B. OHIO POLICE AND FIRE PENSION FUND

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 19.5 percent for police officers and 24.00 percent for firefighters. Contributions are authorized by State statute. The Village's required contributions to the Fund for the years ended December 31, 2007, 2006, and 2005 were \$ 55,759, \$ 32,600, and \$ 31,739, respectively. The Village has paid all contributions required through December 31, 2007.

NOTE 9 - POSTEMPLOYMENT BENEFITS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85 percent of covered payroll (17.17 percent for public safety and law enforcement); 5.00 percent of covered payroll was the portion that was used to fund health care from January 1 through June 30 and 6.00 percent from July 1 through December 31.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .5% to 5% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 9 - POSTEMPLOYMENT BENEFITS (continued)

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (continued)

At December 31, 2007, the number of active contributing participants in the traditional and combined plans was 374,979. Actual employer contributions for 2007 which were used to fund postemployment benefits were \$ 106,655. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2007 were \$ 12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$ 30.7 billion and \$ 18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006 and January 1, 2007, which allowed additional funds to be allocated to the health care plan.

B. OHIO POLICE AND FIRE PENSION FUND

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5 percent of covered payroll, of which 6.75 percent of covered payroll was applied to the postemployment health care program during 2007. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2007 that were used to fund postemployment benefits were \$ 19,301. The OP&F's total health care expense for the year ended December 31, 2006 (the latest information available) was \$ 120,373,722 which was net of member contributions of \$ 58,532,848. The number of OP&F participants eligible to receive health care benefits as of December 31, 2006, was 13,922 for police and 10,537 for firefighters.

VILLAGE OF WELLINGTON  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 10 - DEBT

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

|  | Outstanding<br>12/31/06 | Additions   | Reductions       | Outstanding<br>12/31/07 | Due In<br>One Year |
|--|-------------------------|-------------|------------------|-------------------------|--------------------|
| <u>Governmental activities</u>                       |                         |             |                  |                         |                    |
| Special assessment bonds                             |                         |             |                  |                         |                    |
| Street Improvements (1999)<br>6.0% through 2019      | \$ 40,991               | \$ -        | \$ 2,159         | \$ 38,832               | \$ 2,289           |
| Street Improvements (2000)<br>5.75% through 2020     | 20,435                  | -           | 990              | 19,445                  | 1,046              |
| Street Improvements (1990)<br>Varying % through 2010 | 32,000                  | -           | 8,000            | 24,000                  | 8,000              |
| Street Improvements (1989)<br>7.65% through 2009     | 9,000                   | -           | 3,000            | 6,000                   | 3,000              |
| Street Improvements (1988)<br>7.50% through 2008     | 36,000                  | -           | 18,000           | 18,000                  | 18,000             |
| Street Improvements (1991)<br>7.50% through 2011     | 22,000                  | -           | 4,000            | 18,000                  | 4,000              |
| Street Improvements (1993)<br>Varying % through 2013 | 70,000                  | -           | 10,000           | 60,000                  | 10,000             |
| Total special assessment bonds                       | <u>230,426</u>          | <u>-</u>    | <u>46,149</u>    | <u>184,277</u>          | <u>46,335</u>      |
| Ohio Public Works (2000)<br>0% through 2020          | 177,145                 | -           | 13,626           | 163,519                 | 13,627             |
| Total governmental activities                        | <u>\$ 407,571</u>       | <u>\$ -</u> | <u>\$ 59,775</u> | <u>\$ 347,796</u>       | <u>\$ 59,962</u>   |

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 10 – DEBT (continued)

|                                  | Outstanding<br>12/31/06 | Additions         | Reductions        | Outstanding<br>12/31/07 | Due In<br>One Year |
|----------------------------------|-------------------------|-------------------|-------------------|-------------------------|--------------------|
| <u>Business-type activities</u>  |                         |                   |                   |                         |                    |
| Ohio Public Works                |                         |                   |                   |                         |                    |
| OPWC loan (2002)                 |                         |                   |                   |                         |                    |
| 0% through 2022                  | \$ 64,322               | \$ -              | \$ 4,149          | \$ 60,173               | \$ 4,150           |
| OPWC loan (1999)                 |                         |                   |                   |                         |                    |
| 0% through 2019                  | 56,333                  | -                 | 4,507             | 51,826                  | 4,507              |
| Total OPWC loans                 | <u>120,655</u>          | <u>-</u>          | <u>8,656</u>      | <u>111,999</u>          | <u>8,657</u>       |
| Ohio Water Development Authority |                         |                   |                   |                         |                    |
| OWDA loan (1999)                 |                         |                   |                   |                         |                    |
| 6.32% through 2024               | 1,152,724               | -                 | 39,715            | 1,113,009               | 42,225             |
| OWDA loan (1999)                 |                         |                   |                   |                         |                    |
| 6.32% through 2024               | 729,904                 | -                 | 32,667            | 697,237                 | 34,911             |
| OWDA loan (2000)                 |                         |                   |                   |                         |                    |
| 5.86% through 2024               | 830,785                 | -                 | 28,505            | 802,280                 | 30,175             |
| OWDA loan (2005)                 |                         |                   |                   |                         |                    |
| 4.66% through 2025               | 2,062,379               | 14,158            | 75,831            | 2,000,706               | 79,406             |
| OWDA loan (2006)                 |                         |                   |                   |                         |                    |
| 4.59% through 2037               | 1,364,811               | 450,722           | 34,352            | 1,781,181               | 35,947             |
| Total OWDA loans                 | <u>6,140,603</u>        | <u>464,880</u>    | <u>211,070</u>    | <u>6,394,413</u>        | <u>222,664</u>     |
| Total business-type activities   | <u>\$ 6,261,258</u>     | <u>\$ 464,880</u> | <u>\$ 219,726</u> | <u>\$ 6,506,412</u>     | <u>\$ 231,321</u>  |

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

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

VILLAGE OF WELLINGTON  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 10 – DEBT (continued)

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

| Year        | Governmental Activities  |                  |                   |                   |                  |  |
|-------------|--------------------------|------------------|-------------------|-------------------|------------------|--|
|             | Special Assessment Bonds |                  | OPWC loans        |                   | Total            |  |
|             | Principal                | Interest         | Principal         | Principal         | Interest         |  |
| 2007        | \$ 46,335                | \$ 11,926        | \$ 13,627         | \$ 59,962         | \$ 11,926        |  |
| 2008        | 28,536                   | 8,682            | 13,627            | 42,163            | 8,682            |  |
| 2009        | 26,747                   | 6,771            | 13,627            | 40,374            | 6,771            |  |
| 2010        | 18,972                   | 4,996            | 13,626            | 32,598            | 4,996            |  |
| 2011        | 14,209                   | 3,784            | 13,626            | 27,835            | 3,784            |  |
| 2012 - 2016 | 35,144                   | 9,468            | 68,133            | 103,277           | 9,468            |  |
| 2017 - 2021 | 14,334                   | 1,455            | 27,253            | 41,587            | 1,455            |  |
|             | <u>\$ 184,277</u>        | <u>\$ 47,082</u> | <u>\$ 163,519</u> | <u>\$ 347,796</u> | <u>\$ 47,082</u> |  |

| Year        | Business-type Activities |                     |                   |                     |                     |  |
|-------------|--------------------------|---------------------|-------------------|---------------------|---------------------|--|
|             | OWDA loans               |                     | OPWC loans        |                     | Total               |  |
|             | Principal                | Interest            | Principal         | Principal           | Interest            |  |
| 2007        | \$ 222,664               | \$ 354,179          | \$ 8,657          | \$ 231,321          | \$ 354,179          |  |
| 2008        | 234,913                  | 341,931             | 8,657             | 243,570             | 341,931             |  |
| 2009        | 247,851                  | 328,993             | 8,657             | 256,508             | 328,993             |  |
| 2010        | 261,521                  | 315,323             | 8,657             | 270,178             | 315,323             |  |
| 2011        | 275,964                  | 300,880             | 8,657             | 284,621             | 300,880             |  |
| 2012 - 2016 | 1,626,823                | 1,257,398           | 43,282            | 1,670,105           | 1,257,398           |  |
| 2017 - 2021 | 1,961,780                | 756,818             | 25,432            | 1,987,212           | 756,818             |  |
| 2022 - 2026 | 926,434                  | 307,240             | -                 | 926,434             | 307,240             |  |
| 2027 - 2031 | 488,793                  | 173,786             | -                 | 488,793             | 173,786             |  |
| 2032 - 2036 | 147,670                  | 50,805              | -                 | 147,670             | 50,805              |  |
| 2037        | -                        | -                   | -                 | -                   | -                   |  |
|             | <u>\$ 6,394,413</u>      | <u>\$ 4,187,353</u> | <u>\$ 111,999</u> | <u>\$ 6,506,412</u> | <u>\$ 4,187,353</u> |  |

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2007, were an overall debt margin of \$10,723,096 and an unvoted debt margin of \$5,616,860.

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 11 – CONTINGENT LIABILITIES

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

NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS

A. SOUTH LORAIN COUNTY AMBULANCE DISTRICT

The Ambulance District is an ambulance district organized pursuant to Ohio Rev. Code Section 505.71 and is directed by an appointed seven-member Board of Trustees representing the Village of Wellington, and Wellington, Huntington, Penfield, Rochester, Brighton, and Pittsfield Townships. The Ambulance District provides emergency medical services to the residents within the Ambulance District which includes the Village.

B. WELLINGTON COMMUNITY FIRE DISTRICT

The Fire District is a joint or community fire district organized pursuant to Ohio Rev. Code Section 505.371 and is directed by an appointed six-member Board of Trustees representing the Village of Wellington and Brighton, Huntington, Penfield, Pittsfield, and Wellington Townships. The Fire District provides fire protection and rescue services within the Fire District which includes the Village.

C. WELLINGTON UNION CEMETERY

The Cemetery is a union cemetery organized pursuant to Ohio Rev. Code Section 759.27 and is directed by an appointed three-member Board of Trustees representing the Village of Wellington and Wellington Township. The Cemetery provides for the sale of burial lots, grave openings and closings, and the perpetual care of graves to residents of the Village and Township. The Cemetery operates and maintains the West Herrick Cemetery and Greenwood Cemetery, both located in the Village.

D. WELLINGTON COMMUNITY IMPROVEMENT CORPORATION

The Wellington CIC is a community improvement corporation organized pursuant to Ohio Rev. Code Section 1724 and is directed by a seven-member Board of Trustees which includes the Village Mayor, Council President, and Village Administrator. The Wellington CIC coordinates community development activities within the Village.

VILLAGE OF WELLINGTON  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 13 – JOINT VENTURE WITH EQUITY INTEREST

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

The Village is a participant with twenty-one subdivisions within the State of Ohio in this joint venture to provide supplemental reserve electric power to the participants on a cooperative basis. On dissolution of the joint venture, the net assets of Omega JV-1 will be shared by the participants on a percentage basis. The Omega JV-1 is managed by AMP-Ohio which acts as the joint venture's agent. The participants are obligated by the agreement to remit monthly costs incurred from using electricity generated by the joint venture. The Village's net investment and its share of the operating results of Omega JV-1 are reported in the Village's electric fund (an enterprise fund). The Village's equity interest in Omega JV-1 was \$ 17,311 at December 31, 2006 (the most recent information available). Complete financial statements for Omega JV-1 can be obtained from AMP-Ohio or from the Village's Clerk-Treasurer.

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

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

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

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

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2007 Wellington has met their debt coverage obligation.

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

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NOTE 13 – JOINT VENTURE WITH EQUITY INTEREST (continued)

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

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

The Village's net investment and its share of operating results of OMEGA JV5 are reported in the Village's electric fund (an enterprise fund). The Village's net investment to date in OMEGA JV5 was \$ 175,012 at December 31, 2006 (the most recent information available). Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

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VILLAGE OF WELLINGTON  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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This discussion and analysis of the Village of Wellington, Ohio's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2006, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

**Financial Highlights**

Key highlights for 2006 are as follows

Net assets of governmental activities increased \$ 237,727 or 12.4 percent over 2005. This was primarily the result of a \$ 158,757 increase in fund balance in the Capital Improvements Fund, an increase of \$ 82,906 in the General Fund and an increase of \$ 62,987 in Other Governmental Funds. The total increase was offset by a decrease of \$ 66,922 in the Railroad Crossing Improvement Fund.

The Village's general receipts are primarily municipal income taxes and property and other local taxes. These receipts represent respectively 39.4 percent and 18.1 percent of the total cash received for governmental activities during the year. Property tax receipts for 2006 changed very little compared to 2005 as development within the Village has slowed.

Net assets of business-type activities increased \$ 872,273 or 24.8 percent from 2005. This was primarily the result of an increase of \$ 767,092 in net assets of the Electric Fund. Net assets in the Water Fund and Other Enterprise Funds increased by \$ 74,199 and \$ 57,901, respectively. Sewer Fund net assets decreased by \$ 26,919.

**Using the Basic Financial Statements**

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

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

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

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

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

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

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

**Government-wide Financial Statements**

The statement of net assets and the statement of activities reflect how the Village did financially during 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

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

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

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

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

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Fund Financial Statements**

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

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

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

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

**The Village as a Whole**

Table 1 provides a summary of the Village's net assets for 2006 compared to 2005 on a cash basis:

**Table 1**  
Net Assets

|                       | Governmental Activities |                     | Business-type Activities |                     | Total               |                     |
|-----------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
|                       | 2006                    | 2005                | 2006                     | 2005                | 2006                | 2005                |
| <b>Assets</b>         |                         |                     |                          |                     |                     |                     |
| Equity in pooled cash | \$ 2,152,590            | \$ 1,914,862        | \$ 4,387,440             | \$ 3,515,167        | \$ 6,540,030        | \$ 5,430,029        |
| Total assets          | <u>\$ 2,152,590</u>     | <u>\$ 1,914,862</u> | <u>\$ 4,387,440</u>      | <u>\$ 3,515,167</u> | <u>\$ 6,540,030</u> | <u>\$ 5,430,029</u> |
| <b>Net assets</b>     |                         |                     |                          |                     |                     |                     |
| Restricted for:       |                         |                     |                          |                     |                     |                     |
| Capital projects      | \$ 656,138              | \$ 497,381          | \$ -                     | \$ -                | \$ 656,138          | \$ 497,381          |
| Debt service          | 77,715                  | 82,047              | -                        | -                   | 77,715              | 82,047              |
| Other purposes        | 667,635                 | 667,238             | -                        | -                   | 667,635             | 667,238             |
| Unrestricted          | 751,102                 | 668,196             | 4,387,440                | 3,515,167           | 5,138,542           | 4,183,363           |
| Total net assets      | <u>\$ 2,152,590</u>     | <u>\$ 1,914,862</u> | <u>\$ 4,387,440</u>      | <u>\$ 3,515,167</u> | <u>\$ 6,540,030</u> | <u>\$ 5,430,029</u> |

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As mentioned previously, net assets of governmental activities increased \$ 237,728 or 12.4 percent during 2006.

Table 2 reflects the changes in net assets in 2006 compared to 2005 on a cash basis.

**Table 2**  
**Change in Net Assets**

|                                    | Governmental Activities |                  | Business-type Activities |                  | Total             |                   |
|------------------------------------|-------------------------|------------------|--------------------------|------------------|-------------------|-------------------|
|                                    | 2006                    | 2005             | 2006                     | 2005             | 2006              | 2005              |
| Receipts                           |                         |                  |                          |                  |                   |                   |
| Program receipts                   |                         |                  |                          |                  |                   |                   |
| Charges for services               | \$ 301,713              | \$ 206,142       | \$ 8,182,295             | \$ 7,634,769     | \$ 8,484,008      | \$ 7,840,911      |
| Operating grants and contributions | 57,141                  | 62,119           | -                        | -                | 57,141            | 62,119            |
| Capital grants and contributions   | 386,754                 | 237,836          | 13,700                   | 33,750           | 400,454           | 271,586           |
| Total program receipts             | <u>745,608</u>          | <u>506,097</u>   | <u>8,195,995</u>         | <u>7,668,519</u> | <u>8,941,603</u>  | <u>8,174,616</u>  |
| General receipts                   |                         |                  |                          |                  |                   |                   |
| Property and other local taxes     | 657,699                 | 623,681          | -                        | -                | 657,699           | 623,681           |
| Municipal income taxes             | 1,431,797               | 1,356,332        | -                        | -                | 1,431,797         | 1,356,332         |
| Grants and entitlements            | 444,608                 | 387,706          | -                        | -                | 444,608           | 387,706           |
| Notes issued                       | -                       | -                | 1,476,927                | 860,268          | 1,476,927         | 860,268           |
| Sale of capital assets             | -                       | -                | -                        | -                | -                 | -                 |
| Interest                           | 354,184                 | 159,883          | 178                      | 143              | 354,362           | 160,026           |
| Other                              | 1,829                   | 10,401           | 9,493                    | -                | 11,322            | 10,401            |
| Total general receipts             | <u>2,890,117</u>        | <u>2,538,003</u> | <u>1,486,598</u>         | <u>860,411</u>   | <u>4,376,715</u>  | <u>3,398,414</u>  |
| Total receipts                     | <u>3,635,725</u>        | <u>3,044,100</u> | <u>9,682,593</u>         | <u>8,528,930</u> | <u>13,318,318</u> | <u>11,573,030</u> |

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Table 2**  
**Change in Net Assets**  
(Continued)

|                                   | Governmental Activities |              | Business-type Activities |              | Total        |              |
|-----------------------------------|-------------------------|--------------|--------------------------|--------------|--------------|--------------|
|                                   | 2006                    | 2005         | 2006                     | 2005         | 2006         | 2005         |
| Program cash disbursements        |                         |              |                          |              |              |              |
| General government                | \$ 571,012              | \$ 371,229   | \$ -                     | \$ -         | \$ 571,012   | \$ 371,229   |
| Security of persons and property  | 850,464                 | 791,563      | -                        | -            | 850,464      | 791,563      |
| Public health services            | 51,670                  | 50,420       | -                        | -            | 51,670       | 50,420       |
| Leisure time activities           | 49,855                  | 46,620       | -                        | -            | 49,855       | 46,620       |
| Community environment             | 111,010                 | 120,334      | -                        | -            | 111,010      | 120,334      |
| Transportation                    | 821,257                 | 774,374      | -                        | -            | 821,257      | 774,374      |
| Capital outlay                    | 754,736                 | 493,500      | -                        | -            | 754,736      | 493,500      |
| Principal                         | 65,400                  | 59,627       | -                        | -            | 65,400       | 59,627       |
| Interest                          | 22,593                  | 18,090       | -                        | -            | 22,593       | 18,090       |
| Water                             | -                       | -            | 2,212,532                | 665,325      | 2,212,532    | 665,325      |
| Sewer                             | -                       | -            | 841,714                  | 1,663,940    | 841,714      | 1,663,940    |
| Electric                          | -                       | -            | 5,575,462                | 6,564,013    | 5,575,462    | 6,564,013    |
| Refuse                            | -                       | -            | 220,430                  | 218,784      | 220,430      | 218,784      |
| Other                             | -                       | -            | 60,182                   | 47,349       | 60,182       | 47,349       |
| Total program disbursements       | 3,297,997               | 2,725,757    | 8,910,320                | 9,159,411    | 12,208,317   | 11,885,168   |
| Transfers                         | (100,000)               | -            | 100,000                  | -            | -            | -            |
| Increase (decrease) in net assets | 237,728                 | 318,343      | 872,273                  | (630,481)    | 1,110,001    | (312,138)    |
| Net assets, at beginning of year  | 1,914,862               | 1,596,519    | 3,515,167                | 4,145,648    | 5,430,029    | 5,742,167    |
| Net assets, at end of year        | \$ 2,152,590            | \$ 1,914,862 | \$ 4,387,440             | \$ 3,515,167 | \$ 6,540,030 | \$ 5,430,029 |

**Governmental Activities**

Program receipts represent 20.5 percent of total receipts and are primarily comprised of charges for services and capital grants and contributions.

General receipts represent 79.5 percent of the Village's total receipts of governmental activities, and of this amount, over 88.2 percent are local taxes. Other receipts are very insignificant and somewhat unpredictable revenue sources.

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

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

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If you look at the Statement of Activities on page 12, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property, transportation and capital outlay which account for 25.8, 24.9, and 22.9 percent, of all governmental disbursements, respectively. General government also represents a significant cost, about 17.3 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**Table 3**  
Governmental Activities

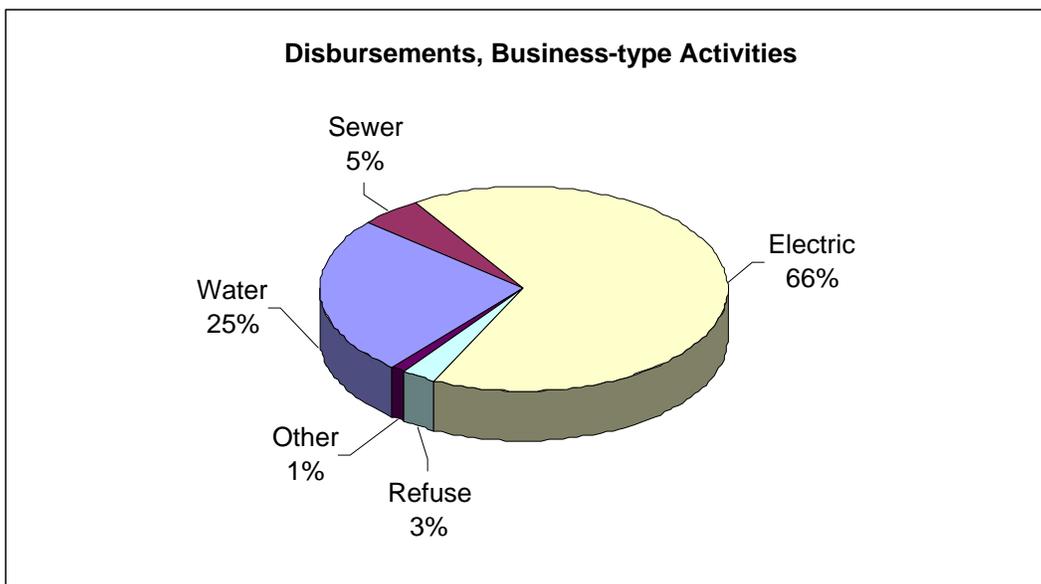
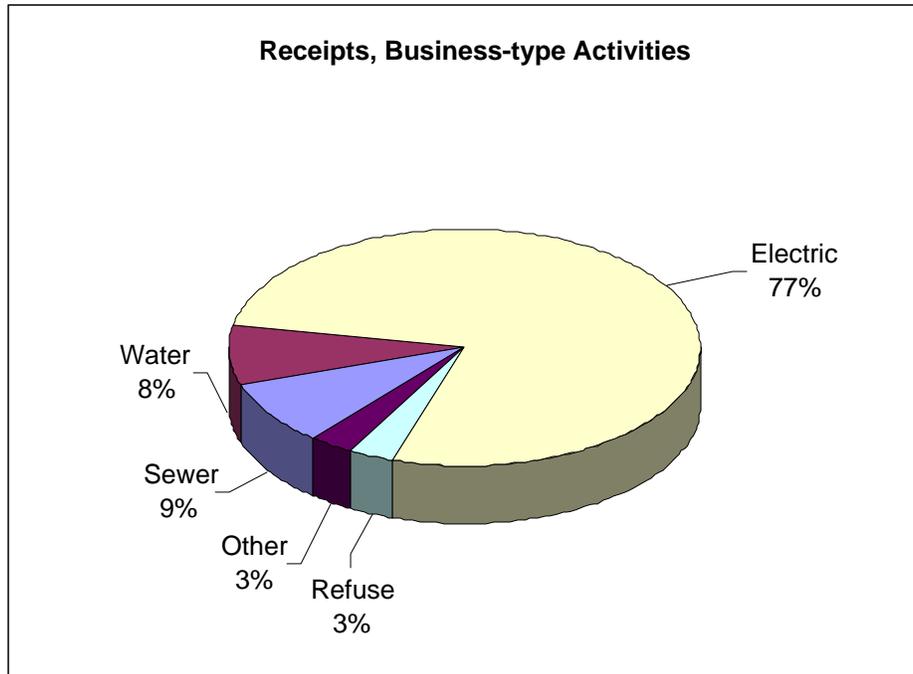
|                                  | Total<br>Cost of<br>Services | Net<br>Cost of<br>Services |
|----------------------------------|------------------------------|----------------------------|
| Governmental activities          |                              |                            |
| General government               | \$ 571,012                   | \$ 457,150                 |
| Security of persons and property | 850,464                      | 813,621                    |
| Public health services           | 51,670                       | 51,670                     |
| Leisure time activities          | 49,855                       | 29,065                     |
| Community environment            | 111,010                      | 65,249                     |
| Transportation                   | 821,257                      | 743,881                    |
| Capital outlay                   | 754,736                      | 303,760                    |
| Principal                        | 65,400                       | 65,400                     |
| Interest and fiscal charges      | 22,593                       | 22,593                     |
| Total governmental activities    | \$ 3,297,997                 | \$ 2,552,389               |

The dependence upon property and other local taxes and income tax receipts is apparent as 63.4 percent of governmental activities are supported through these general receipts.

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**Business-type Activities**

Charges for services is the primary source of receipts for the business-type activities. Program cash receipts were \$ 527,476 higher in 2006. Disbursements for both water and sewer operations exceeded their operating receipts.



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**The Village's Funds**

Total governmental funds had receipts of \$ 3,635,725 and disbursements of \$ 3,297,997. General Fund receipts were more than disbursements by \$ 82,906. The greatest change within governmental funds occurred within the Capital Improvements Fund. The fund balance of the Capital Improvements fund increased \$ 158,757.

**General Fund Budgeting Highlights**

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

During 2006, the Village amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were slightly above original budgeted receipts due to an increase in estimated receipts of contributions and donations. Actual receipts were less than final budget amounts for all sources, with the exception of interest income and miscellaneous receipts

Final disbursements, including transfers-out, were budgeted at \$ 2,548,969 while actual disbursements, including transfers, were \$ 2,434,962.

**Capital Assets**

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

**Debt**

Outstanding debt obligations of the Village consisted of:

|                    | Governmental Activities |                   | Business-type Activities |                     | Total               |                     |
|--------------------|-------------------------|-------------------|--------------------------|---------------------|---------------------|---------------------|
|                    | 2006                    | 2005              | 2006                     | 2005                | 2006                | 2005                |
| OWDA loan          | \$ -                    | \$ -              | \$ 6,239,719             | \$ 4,930,058        | \$ 6,239,719        | \$ 4,930,058        |
| Bonds              |                         |                   |                          |                     |                     |                     |
| General obligation | -                       | -                 | -                        | -                   | -                   | -                   |
| Special assessment | 230,426                 | 282,199           | -                        | -                   | 230,426             | 282,199             |
| OPWC loan          | 177,145                 | 190,772           | 120,655                  | 129,312             | 297,800             | 320,084             |
|                    | <u>\$ 407,571</u>       | <u>\$ 472,971</u> | <u>\$ 6,360,374</u>      | <u>\$ 5,059,370</u> | <u>\$ 6,767,945</u> | <u>\$ 5,532,341</u> |

The OWDA loan relates to water, sewer and storm sewer projects. The general obligation bonds are for improvements to the Village's electric utility. OPWC loans financed waterline improvements and replacements. The special assessment bonds were issued for street construction. For further information regarding the Village's debt, refer to Note 10 to the basic financial statements.

**Current Issues**

The Village has obtained an OWDA loan to fund the construction of two 250,000 gallon water tanks. The term of the loan is thirty years, with an approximate annual debt service of \$ 130,000. The Water Fund will finance the semi-annual payments, with the payments beginning July 1, 2007.

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
*UNAUDITED*

**Contacting the Village's Financial Management**

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

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VILLAGE OF WELLINGTON  
LORAIN COUNTY  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2006

|                       | Governmental<br>Activities | Business-type<br>Activities | Total               |
|-----------------------|----------------------------|-----------------------------|---------------------|
| Assets                |                            |                             |                     |
| Equity in pooled cash | \$ 2,152,590               | \$ 4,387,440                | \$ 6,540,030        |
| Total assets          | <u>\$ 2,152,590</u>        | <u>\$ 4,387,440</u>         | <u>\$ 6,540,030</u> |
| Net assets            |                            |                             |                     |
| Restricted for:       |                            |                             |                     |
| Capital projects      | \$ 656,138                 | \$ -                        | \$ 656,138          |
| Debt service          | 77,715                     | -                           | 77,715              |
| Other purposes        | 667,635                    | -                           | 667,635             |
| Unrestricted          | 751,102                    | 4,387,440                   | 5,138,542           |
| Total net assets      | <u>\$ 2,152,590</u>        | <u>\$ 4,387,440</u>         | <u>\$ 6,540,030</u> |

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2006

|                                  | Cash<br>Disbursements | Program Cash Receipts                |  |  |
|----------------------------------|-----------------------|--------------------------------------|--|--|
|                                  |                       | Charges<br>for Services<br>and Sales | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |
| Governmental activities          |                       |                                      |  |  |
| General government               | \$ 571,012            | \$ 113,862                           | \$ -                                     | \$ -                                   |
| Security of persons and property | 850,464               | 26,238                               | 10,605                                   | -                                      |
| Public health services           | 51,670                | -                                    | -  | -                                      |
| Leisure time activities          | 49,855                | 10,015                               | 775                                      | 10,000                                 |
| Community environment            | 111,010               | -                                    | 45,761                                   | -                                      |
| Transportation                   | 821,257               | -                                    | -  | 77,376                                 |
| Capital outlay                   | 754,736               | 151,598                              | -  | 299,378                                |
| Principal                        | 65,400                | -                                    | -  | -                                      |
| Interest and fiscal charges      | 22,593                | -                                    | -  | -                                      |
| Total governmental activities    | <u>3,297,997</u>      | <u>301,713</u>                       | <u>57,141</u>                            | <u>386,754</u>                         |
| Business-type activities         |                       |                                      |  |  |
| Water                            | 2,212,532             | 701,104                              | -  | 8,700                                  |
| Sewer                            | 841,714               | 800,302                              | -  | 5,000                                  |
| Electric                         | 5,575,462             | 6,342,554                            | -  | -                                      |
| Refuse                           | 220,430               | 243,522                              | -  | -                                      |
| Other                            | 60,182                | 94,813                               | -  | -                                      |
| Total business-type activities   | <u>8,910,320</u>      | <u>8,182,295</u>                     | <u>-</u>                                 | <u>13,700</u>                          |
| Total                            | <u>\$ 12,208,317</u>  | <u>\$ 8,484,008</u>                  | <u>\$ 57,141</u>                         | <u>\$ 400,454</u>                      |

General receipts

- Property taxes levied for general purposes
- Other local taxes
- Municipal income taxes
- Grants and entitlements not restricted to specific programs
- Notes issued
- Interest
- Other

Total general receipts

Transfers

Total general receipts and transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

See accompanying notes to the basic financial statements.

Net (Disbursements) Receipts and Changes in Net Assets

| Governmental<br>Activities | Business-type<br>Activities | Total               |
|----------------------------|-----------------------------|---------------------|
| \$ (457,150)               | \$ -                        | \$ (457,150)        |
| (813,621)                  | -                           | (813,621)           |
| (51,670)                   | -                           | (51,670)            |
| (29,065)                   | -                           | (29,065)            |
| (65,249)                   | -                           | (65,249)            |
| (743,881)                  | -                           | (743,881)           |
| (303,760)                  | -                           | (303,760)           |
| (65,400)                   | -                           | (65,400)            |
| (22,593)                   | -                           | (22,593)            |
| <u>(2,552,389)</u>         | <u>-</u>                    | <u>(2,552,389)</u>  |
| -                          | (1,502,728)                 | (1,502,728)         |
| -                          | (36,412)                    | (36,412)            |
| -                          | 767,092                     | 767,092             |
| -                          | 23,092                      | 23,092              |
| -                          | 34,631                      | 34,631              |
| <u>-</u>                   | <u>(714,325)</u>            | <u>(714,325)</u>    |
| <u>(2,552,389)</u>         | <u>(714,325)</u>            | <u>(3,266,714)</u>  |
| 374,663                    | -                           | 374,663             |
| 283,036                    | -                           | 283,036             |
| 1,431,797                  | -                           | 1,431,797           |
| 444,608                    | -                           | 444,608             |
| -                          | 1,476,927                   | 1,476,927           |
| 354,184                    | 178                         | 354,362             |
| 1,829                      | 9,493                       | 11,322              |
| <u>2,890,117</u>           | <u>1,486,598</u>            | <u>4,376,715</u>    |
| <u>(100,000)</u>           | <u>100,000</u>              | <u>-</u>            |
| <u>2,790,117</u>           | <u>1,586,598</u>            | <u>4,376,715</u>    |
| 237,728                    | 872,273                     | 1,110,001           |
| <u>1,914,862</u>           | <u>3,515,167</u>            | <u>5,430,029</u>    |
| <u>\$ 2,152,590</u>        | <u>\$ 4,387,440</u>         | <u>\$ 6,540,030</u> |

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES -  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2006

|                           | General Fund      | Railroad Grade<br>Crossing<br>Improvement<br>Fund | Capital<br>Improvements<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---------------------------|-------------------|---|---------------------------------|--------------------------------|--------------------------------|
| <b>Assets</b>             |                   |   |                                 |                                |                                |
| Equity in pooled cash     | \$ 751,102        | \$ 348,978  | \$ 656,138                      | \$ 396,372                     | \$ 2,152,590                   |
| <b>Total assets</b>       | <b>\$ 751,102</b> | <b>\$ 348,978</b>                                 | <b>\$ 656,138</b>               | <b>\$ 396,372</b>              | <b>\$ 2,152,590</b>            |
| <b>Fund balances</b>      |                   |   |                                 |                                |                                |
| Reserved for encumbrances | 140,922           | -   | 31,346                          | 16,163                         | 188,431                        |
| Unreserved reported in:   |                   |   |                                 |                                |                                |
| General fund              | 610,180           | -   | -                               | -                              | 610,180                        |
| Special revenue funds     | -                 | 348,978   | -                               | 302,494                        | 651,472                        |
| Debt service funds        | -                 | -   | -                               | 77,715                         | 77,715                         |
| Capital projects          | -                 | -   | 624,792                         | -                              | 624,792                        |
| <b>Total net assets</b>   | <b>\$ 751,102</b> | <b>\$ 348,978</b>                                 | <b>\$ 656,138</b>               | <b>\$ 396,372</b>              | <b>\$ 2,152,590</b>            |

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON  
LORAIN COUNTY

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

FOR THE YEAR ENDED DECEMBER 31, 2006

|  | General           | Railroad Grade<br>Crossing<br>Improvement<br>Fund | Capital<br>Improvements<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|-------------------|---|---------------------------------|--------------------------------|--------------------------------|
| <b>Revenues</b>                                  |                   |   |                                 |                                |                                |
| Municipal income tax                             | \$ 1,073,844      | \$ -  | \$ 357,953                      | \$ -                           | \$ 1,431,797                   |
| Property and other taxes                         | 587,611           | -   | -                               | 70,088                         | 657,699                        |
| Special assessments                              | -                 | -   | 13,559                          | 77,376                         | 90,935                         |
| Charges for services                             | 44,975            | -   | 1,788                           | 10,015                         | 56,778                         |
| Fines, licenses and permits                      | 56,741            | -   | -                               | -                              | 56,741                         |
| Intergovernmental                                | 269,201           | -   | 353,258                         | 248,989                        | 871,448                        |
| Interest   | 290,802           | 53,078  | -                               | 10,304                         | 354,184                        |
| Contributions and donations                      | 775               | -   | -                               | -                              | 775                            |
| Miscellaneous                                    | 52,997            | -   | 62,371                          | -                              | 115,368                        |
| <b>Total revenues</b>                            | <b>2,376,946</b>  | <b>53,078</b>                                     | <b>788,929</b>                  | <b>416,772</b>                 | <b>3,635,725</b>               |
| <b>Expenditures</b>                              |                   |   |                                 |                                |                                |
| <b>Current</b>                                   |                   |   |                                 |                                |                                |
| General government                               | 451,012           | 120,000   | -                               | -                              | 571,012                        |
| Security of persons and property                 | 826,566           | -   | -                               | 23,898                         | 850,464                        |
| Public health services                           | 4,412             | -   | -                               | 47,258                         | 51,670                         |
| Leisure time activities                          | 35,861            | -   | -                               | 13,994                         | 49,855                         |
| Community environment                            | 111,010           | -   | -                               | -                              | 111,010                        |
| Transportation                                   | 702,280           | -   | -                               | 118,977                        | 821,257                        |
| Capital outlay                                   | 62,899            | -   | 630,172                         | 61,665                         | 754,736                        |
| <b>Debt service</b>                              |                   |   |                                 |                                |                                |
| Principal  | -                 | -   | -                               | 65,400                         | 65,400                         |
| Interest and fiscal charges                      | -                 | -   | -                               | 22,593                         | 22,593                         |
| <b>Total disbursements</b>                       | <b>2,194,040</b>  | <b>120,000</b>                                    | <b>630,172</b>                  | <b>353,785</b>                 | <b>3,297,997</b>               |
| Excess of receipts over<br>(under) disbursements | 182,906           | (66,922)  | 158,757                         | 62,987                         | 337,728                        |
| <b>Other financing sources (uses)</b>            |                   |   |                                 |                                |                                |
| Transfers-out                                    | (100,000)         | -   | -                               | -                              | (100,000)                      |
| <b>Total other financing sources (uses)</b>      | <b>(100,000)</b>  | <b>-</b>  | <b>-</b>                        | <b>-</b>                       | <b>(100,000)</b>               |
| <b>Net change in fund balances</b>               | <b>82,906</b>     | <b>(66,922)</b>                                   | <b>158,757</b>                  | <b>62,987</b>                  | <b>237,728</b>                 |
| <b>Fund balances at beginning of year</b>        | <b>668,196</b>    | <b>415,900</b>                                    | <b>497,381</b>                  | <b>333,385</b>                 | <b>1,914,862</b>               |
| <b>Fund balances at end of year</b>              | <b>\$ 751,102</b> | <b>\$ 348,978</b>                                 | <b>\$ 656,138</b>               | <b>\$ 396,372</b>              | <b>\$ 2,152,590</b>            |

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON  
LORAIN COUNTY

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

FOR THE YEAR ENDED DECEMBER 31, 2006

|  | GENERAL FUND        |                     |                     | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|---------------------|---------------------|---------------------|---|
|  | Budget Amounts      |                     | Actual              |   |
|  | Original            | Final               |                     |   |
| Revenues   |                     |                     |                     |   |
| Municipal income tax                             | \$ 1,300,000        | \$ 1,300,000        | \$ 1,073,844        | \$ (226,156)  |
| Property and other taxes                         | 350,000             | 350,000             | 587,611             | 237,611   |
| Charges for services                             | 50,000              | 50,000              | 44,975              | (5,025)   |
| Fines, licenses and permits                      | 92,000              | 92,000              | 56,741              | (35,259)  |
| Intergovernmental                                | 519,000             | 519,000             | 269,201             | (249,799)   |
| Interest   | 70,000              | 70,000              | 290,802             | 220,802   |
| Contributions and donations                      | 13,000              | 26,333              | 775                 | (25,558)  |
| Miscellaneous                                    | 76,000              | 76,000              | 52,997              | (23,003)  |
| Revenues   | <u>\$ 2,470,000</u> | <u>\$ 2,483,333</u> | <u>\$ 2,376,946</u> | <u>\$ (106,387)</u>                                     |
| Expenditures                                     |                     |                     |                     |   |
| Current  |                     |                     |                     |   |
| General government                               | 434,500             | 435,909             | 459,369             | (23,460)  |
| Security of persons and property                 | 818,500             | 846,258             | 838,297             | 7,961   |
| Public health services                           | 14,000              | 14,137              | 5,194               | 8,943   |
| Leisure time activities                          | 35,000              | 46,000              | 44,602              | 1,398   |
| Community environment                            | 155,000             | 209,333             | 160,137             | 49,196  |
| Transportation                                   | 700,000             | 737,604             | 727,801             | 9,803   |
| Capital outlay                                   | 70,000              | 103,306             | 99,562              | 3,744   |
| Expenditures                                     | <u>2,227,000</u>    | <u>2,392,547</u>    | <u>2,334,962</u>    | <u>57,585</u>   |
| Excess of receipts over<br>(under) disbursements | <u>243,000</u>      | <u>90,786</u>       | <u>41,984</u>       | <u>(48,802)</u>   |
| Other financing sources (uses)                   |                     |                     |                     |   |
| Transfers-out                                    | -                   | (156,422)           | (100,000)           | 56,422  |
| Total other financing sources (uses)             | <u>-</u>            | <u>(156,422)</u>    | <u>(100,000)</u>    | <u>56,422</u>   |
| Net change in fund balances                      | 243,000             | (65,636)            | (58,016)            | 7,620   |
| Prior year encumbrances appropriated             | 139,015             | 139,015             | 139,015             | -   |
| Fund balance at beginning of year                | <u>529,181</u>      | <u>529,181</u>      | <u>529,181</u>      | <u>-</u>  |
| Fund balance at end of year                      | <u>\$ 911,196</u>   | <u>\$ 602,560</u>   | <u>\$ 610,180</u>   | <u>\$ 7,620</u>   |

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON  
LORAIN COUNTY

STATEMENT OF CASH RECEIPTS, DISBURSMENTS AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – BUDGET BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2006

RAILROAD GRADE CROSSING IMPROVEMENT FUND

|                                      | Budget Amounts    |                   | Actual            | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--------------------------------------|-------------------|-------------------|-------------------|---|
|                                      | Original          | Final             |                   |   |
| Revenues                             | \$ 12,000         | \$ 12,000         | \$ 53,078         | \$ 41,078   |
| Expenditures                         | -                 | 120,000           | 120,000           | -   |
| Net change in fund balances          | 12,000            | (108,000)         | (66,922)          | 41,078  |
| Prior year encumbrances appropriated | -                 | -                 | -                 | -   |
| Fund balance at beginning of year    | 415,900           | 415,900           | 415,900           | -   |
| Fund balance at end of year          | <u>\$ 427,900</u> | <u>\$ 307,900</u> | <u>\$ 348,978</u> | <u>\$ 41,078</u>  |

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
STATEMENT OF FUND NET ASSETS – CASH BASIS  
PROPRIETARY FUNDS  
DECEMBER 31, 2006

|  | Water             | Sewer               | Electric            | Other<br>Enterprise<br>Funds | Total<br>Enterprise<br>Funds |
|--|-------------------|---------------------|---------------------|------------------------------|------------------------------|
| Assets                                     |                   |                     |                     |                              |                              |
| Equity in pooled cash and cash equivalents | \$ 492,624        | \$ 1,336,948        | \$ 2,247,673        | \$ 310,195                   | \$ 4,387,440                 |
| Total assets                               | <u>\$ 492,624</u> | <u>\$ 1,336,948</u> | <u>\$ 2,247,673</u> | <u>\$ 310,195</u>            | <u>\$ 4,387,440</u>          |
| Net assets                                 |                   |                     |                     |                              |                              |
| Unrestricted                               | \$ 492,624        | \$ 1,336,948        | \$ 2,247,673        | \$ 310,195                   | \$ 4,387,440                 |
| Total net assets                           | <u>\$ 492,624</u> | <u>\$ 1,336,948</u> | <u>\$ 2,247,673</u> | <u>\$ 310,195</u>            | <u>\$ 4,387,440</u>          |

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON  
LORAIN COUNTY

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND NET ASSETS – PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2006

|   | Water              | Sewer               | Electric            | Other<br>Enterprise<br>Funds | Total<br>Enterprise<br>Funds |
|---|--------------------|---------------------|---------------------|------------------------------|------------------------------|
| Operating receipts                          |                    |                     |                     |                              |                              |
| Charges for services                        | \$ 687,248         | \$ 799,623          | \$ 6,137,655        | \$ 331,790                   | \$ 7,956,316                 |
| Interest                                    | -                  | -                   | -                   | 178                          | 178                          |
| Miscellaneous                               | 2,306              | 1,672               | 204,899             | 6,545                        | 215,422                      |
| Total operating receipts                    | <u>689,554</u>     | <u>801,295</u>      | <u>6,342,554</u>    | <u>338,513</u>               | <u>8,171,916</u>             |
| Operating disbursements                     |                    |                     |                     |                              |                              |
| Personal services                           | 412,786            | 339,553             | 690,693             | -                            | 1,443,032                    |
| Travel transportation                       | 561                | -                   | 746                 | -                            | 1,307                        |
| Contractual services                        | 30,740             | 30,798              | 4,488,839           | 254,311                      | 4,804,688                    |
| Materials and supplies                      | 151,933            | 73,754              | 131,291             | 9,082                        | 366,060                      |
| Capital outlay                              | 1,533,701          | 27,436              | 263,893             | 17,219                       | 1,842,249                    |
| Total operating disbursements               | <u>2,129,721</u>   | <u>471,541</u>      | <u>5,575,462</u>    | <u>280,612</u>               | <u>8,457,336</u>             |
| Operating income (loss)                     | <u>(1,440,167)</u> | <u>329,754</u>      | <u>767,092</u>      | <u>57,901</u>                | <u>(285,420)</u>             |
| Non-operating receipts/disbursements        |                    |                     |                     |                              |                              |
| Principal paid                              | (30,567)           | (145,356)           | -                   | -                            | (175,923)                    |
| Interest and fiscal charges                 | (52,244)           | (224,817)           | -                   | -                            | (277,061)                    |
| Notes issued                                | 1,476,927          | -                   | -                   | -                            | 1,476,927                    |
| Total non-operating receipts/disbursements  | <u>1,394,116</u>   | <u>(370,173)</u>    | <u>-</u>            | <u>-</u>                     | <u>1,023,943</u>             |
| Income (loss) before transfers and advances | (46,051)           | (40,419)            | 767,092             | 57,901                       | 738,523                      |
| Capital contributions - tap fees            | 20,250             | 13,500              | -                   | -                            | 33,750                       |
| Change in net assets                        | 74,199             | (26,919)            | 767,092             | 57,901                       | 872,273                      |
| Net assets at beginning of year             | <u>418,425</u>     | <u>1,363,867</u>    | <u>1,480,581</u>    | <u>252,294</u>               | <u>3,515,167</u>             |
| Net assets at end of year                   | <u>\$ 492,624</u>  | <u>\$ 1,336,948</u> | <u>\$ 2,247,673</u> | <u>\$ 310,195</u>            | <u>\$ 4,387,440</u>          |

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
STATEMENT OF NET ASSETS –  
FIDUCIARY FUNDS  
DECEMBER 31, 2006

|  | Agency    |
|--|-----------|
| Assets                                     |           |
| Equity in pooled cash and cash equivalents | \$ 10,990 |
| Total assets                               | 10,990    |
| <br>Net assets                             |           |
| Unrestricted                               | 10,990    |
| Total net assets                           | \$ 10,990 |

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 1 – REPORTING ENTITY

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

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

A. PRIMARY GOVERNMENT

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

B. COMPONENT UNITS

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

C. JOINTLY GOVERNED ORGANIZATIONS

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

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

D. JOINT VENTURE WITH EQUITY INTEREST

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

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

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

A. BASIS OF PRESENTATION

The Village's basic financial statements consist of government-wide financial 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 Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

Fund Financial Statements

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

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

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. FUND ACCOUNTING

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

Governmental Funds

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

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

Railroad Grade Crossing Improvement Fund – This fund is used to account for monies to be used for a railroad underpass.

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

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

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service.

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

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

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

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

Fiduciary Funds

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

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF ACCOUNTING

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

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

D. BUDGETARY PROCESS

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

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund level for all funds. This is contrary to Ohio Revised Code Section 5705.38(C) which requires "subdivisions" other than schools to separately appropriate the amounts for each office, department, and division, and, within each, the amount appropriated for personal services.

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

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

E. CASH AND INVESTMENTS

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

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. CASH AND INVESTMENTS (continued)

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

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

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2006.

F. RESTRICTED ASSETS

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

I. INVENTORY AND PREPAID ITEMS

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

H. CAPITAL ASSETS

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

I. INTERFUND RECEIVABLES/PAYABLES

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

J. ACCUMULATED LEAVE

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

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. EMPLOYER CONTRIBUTIONS TO COST-SHARING PENSION PLANS

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. LONG-TERM OBLIGATIONS

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

M. NET ASSETS

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

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

N. FUND BALANCE RESERVES

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

O. INTERFUND TRANSACTIONS

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

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

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

**NOTE 3 – BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund and the Railroad Grade Crossing Improvement Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is that outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$ 140,922 for the General Fund. There were no outstanding encumbrances for the Railroad Grade Crossing Improvement Fund.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

At year end, the Village had \$ 400 in cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying amount of the Village's deposits was \$ 5,744,841 and the bank balance was \$ 5,810,472. Of the bank balance, \$ 200,000 was covered by federal depository insurance and \$ 5,610,472 was uninsured. Of the remaining balance, \$ 5,610,472 was collateralized with securities held by the pledging institution's trust department not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

Investments

As of December 31, 2006, the Village had the following investments:

|                             | <u>Weighted Average<br/>Maturities Years</u> | <u>Fair Value</u> |
|-----------------------------|--|-------------------|
| STAROhio                    | n/a  | 753,179           |
| Local government securities | n/a  | 53,000            |
|                             |  | <u>\$ 806,179</u> |

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

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

STAROhio carries a rating of AAAM by Standard & Poor's. Ohio Law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The Village has no investment policy that would further limit its investment choices.

The Village places not limit on the amount that may be invested in any one issuer. The following is the Village's allocation as of December 31, 2006:

|                             | <u>Percentage<br/>of Investments</u> |
|-----------------------------|--------------------------------------|
| STAROhio                    | 93.4%                                |
| Local government securities | 6.6%                                 |

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 5 – INCOME TAXES

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

NOTE 6 – PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory is 18.75 percent for 2007. 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, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2006, was \$ 4.40 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

|                                  | 2006<br>Collection Year |
|----------------------------------|-------------------------|
| Property valuation consisted of: |                         |
| Real property                    | \$ 79,356,640           |
| Public utility property          | 1,981,760               |
| Tangible personal property       | 15,639,748              |
| Total valuation                  | \$ 96,978,148           |

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 7 – RISK MANAGEMENT

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

NOTE 8– DEFINED BENEFIT PENSION PLANS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.0 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Village's contribution rate for pension benefits for 2006 was 13.7 percent, except for those plan members in law enforcement or public safety. For those classifications, the Village's pension contributions were 16.93 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$ 164,874, \$ 165,712, and \$ 159,878 respectively. The Village has paid all contributions required through December 31, 2006.

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 8— DEFINED BENEFIT PENSION PLANS (continued)

B. OHIO POLICE AND FIRE PENSION FUND

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The Village's required contributions to the Fund for the years ended December 31, 2006, 2005, and 2004 were \$ 32,600, \$ 31,739, and \$ 29,229 respectively. The Village has paid all contributions required through December 31, 2006.

NOTE 9 - POSTEMPLOYMENT BENEFITS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll (16.93 percent for public safety and law enforcement); 4.5 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6.0 percent annually for the next nine years and 4.00 percent after nine years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 9 - POSTEMPLOYMENT BENEFITS (continued)

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (continued)

The number of active contributing participants in the traditional and combined plans was 369,214.. The number of active contributing participants for both plans used in the December 31, 2005 actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$ 80,644. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$ 31.3 billion and \$ 20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006 and January 1, 2007, which allowed additional funds to be allocated to the health care plan.

B. OHIO POLICE AND FIRE PENSION FUND

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2006. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2006 that were used to fund postemployment benefits were \$ 21,502. The OP&F's total health care expense for the year ended December 31, 2005 (the latest information available) was \$ 108,039,449 which was net of member contributions of \$ 55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 13,922 for police and 10,537 for firefighters.

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 10 - DEBT

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

|  | Outstanding<br>12/31/05 | Additions   | Reductions       | Outstanding<br>12/31/06 | Due In<br>One Year |
|--|-------------------------|-------------|------------------|-------------------------|--------------------|
| <u>Governmental activities</u>                       |                         |             |                  |                         |                    |
| Special assessment bonds                             |                         |             |                  |                         |                    |
| Street Improvements (1999)<br>6.0% through 2019      | \$ 44,943               | \$ -        | \$ 3,952         | \$ 40,991               | \$ 2,159           |
| Street Improvements (2000)<br>5.75% through 2020     | 22,256                  | -           | 1,821            | 20,435                  | 990                |
| Street Improvements (1986)<br>8.375% through 2026    | 3,000                   | -           | 3,000            | -                       | -                  |
| Street Improvements (1990)<br>Varying % through 2010 | 40,000                  | -           | 8,000            | 32,000                  | 8,000              |
| Street Improvements (1989)<br>7.65% through 2009     | 12,000                  | -           | 3,000            | 9,000                   | 3,000              |
| Street Improvements (1988)<br>7.50% through 2008     | 54,000                  | -           | 18,000           | 36,000                  | 18,000             |
| Street Improvements (1991)<br>7.50% through 2011     | 26,000                  | -           | 4,000            | 22,000                  | 4,000              |
| Street Improvements (1993)<br>Varying % through 2013 | 80,000                  | -           | 10,000           | 70,000                  | 10,000             |
| Total special assessment bonds                       | <u>282,199</u>          | <u>-</u>    | <u>51,773</u>    | <u>230,426</u>          | <u>46,149</u>      |
| Ohio Public Works (2000)<br>0% through 2020          | 190,772                 | -           | 13,627           | 177,145                 | 13,627             |
| Total governmental activities                        | <u>\$ 472,971</u>       | <u>\$ -</u> | <u>\$ 65,400</u> | <u>\$ 407,571</u>       | <u>\$ 59,776</u>   |

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 10 – DEBT (continued)

|                                  | Outstanding<br>12/31/06 | Additions         | Reductions        | Outstanding<br>12/31/07 | Due In<br>One Year |
|----------------------------------|-------------------------|-------------------|-------------------|-------------------------|--------------------|
| <u>Business-type activities</u>  |                         |                   |                   |                         |                    |
| Ohio Public Works                |                         |                   |                   |                         |                    |
| OPWC loan (2002)                 |                         |                   |                   |                         |                    |
| 0% through 2022                  | \$ 64,322               | \$ -              | \$ 4,149          | \$ 60,173               | \$ 4,150           |
| OPWC loan (1999)                 |                         |                   |                   |                         |                    |
| 0% through 2019                  | 56,333                  | -                 | 4,507             | 51,826                  | 4,507              |
| Total OPWC loans                 | <u>120,655</u>          | <u>-</u>          | <u>8,656</u>      | <u>111,999</u>          | <u>8,657</u>       |
| Ohio Water Development Authority |                         |                   |                   |                         |                    |
| OWDA loan (1999)                 |                         |                   |                   |                         |                    |
| 6.32% through 2024               | 1,152,724               | -                 | 39,715            | 1,113,009               | 42,225             |
| OWDA loan (1999)                 |                         |                   |                   |                         |                    |
| 6.32% through 2024               | 729,904                 | -                 | 32,667            | 697,237                 | 34,911             |
| OWDA loan (2000)                 |                         |                   |                   |                         |                    |
| 5.86% through 2024               | 830,785                 | -                 | 28,505            | 802,280                 | 30,175             |
| OWDA loan (2005)                 |                         |                   |                   |                         |                    |
| 4.66% through 2025               | 2,062,379               | 14,158            | 75,831            | 2,000,706               | 79,406             |
| OWDA loan (2006)                 |                         |                   |                   |                         |                    |
| 4.59% through 2037               | 1,364,811               | 450,722           | 34,352            | 1,781,181               | 35,947             |
| Total OWDA loans                 | <u>6,140,603</u>        | <u>464,880</u>    | <u>211,070</u>    | <u>6,394,413</u>        | <u>222,664</u>     |
| Total business-type activities   | <u>\$ 6,261,258</u>     | <u>\$ 464,880</u> | <u>\$ 219,726</u> | <u>\$ 6,506,412</u>     | <u>\$ 231,321</u>  |

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

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

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 10 – DEBT (continued)

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

| Year        | Governmental Activities  |                  |                   |                   |                  |
|-------------|--------------------------|------------------|-------------------|-------------------|------------------|
|             | Special Assessment Bonds |                  | OPWC loans        | Total             |                  |
|             | Principal                | Interest         | Principal         | Principal         | Interest         |
| 2007        | \$ 46,149                | \$ 15,153        | \$ 13,627         | \$ 59,776         | \$ 15,153        |
| 2008        | 46,335                   | 11,926           | 13,627            | 59,962            | 11,926           |
| 2009        | 28,536                   | 8,682            | 13,627            | 42,163            | 8,682            |
| 2010        | 26,747                   | 6,771            | 13,627            | 40,374            | 6,771            |
| 2011        | 18,971                   | 4,996            | 13,627            | 32,598            | 4,996            |
| 2012 - 2016 | 43,723                   | 12,073           | 68,133            | 111,856           | 12,073           |
| 2017 - 2021 | 19,965                   | 2,634            | 40,877            | 60,842            | 2,634            |
| 2022 - 2026 | -                        | -                | -                 | -                 | -                |
|             | <u>\$ 230,426</u>        | <u>\$ 62,235</u> | <u>\$ 177,145</u> | <u>\$ 407,571</u> | <u>\$ 62,235</u> |

| Year        | Business-type Activities |                     |                   |                     |                     |
|-------------|--------------------------|---------------------|-------------------|---------------------|---------------------|
|             | OWDA loans               |                     | Principal         | Total               |                     |
|             | Principal                | Interest            |                   | Principal           | Interest            |
| 2007        | \$ 189,921               | \$ 301,505          | \$ 8,657          | \$ 198,578          | \$ 301,505          |
| 2008        | 210,889                  | 324,592             | 8,657             | 219,546             | 324,592             |
| 2009        | 222,590                  | 312,891             | 8,657             | 231,247             | 312,891             |
| 2010        | 234,958                  | 300,524             | 8,657             | 243,615             | 300,524             |
| 2011        | 248,029                  | 287,452             | 8,657             | 256,686             | 287,452             |
| 2012 - 2016 | 1,463,880                | 1,213,527           | 43,280            | 1,507,160           | 1,213,527           |
| 2017 - 2021 | 1,840,286                | 754,309             | 32,015            | 1,872,301           | 754,309             |
| 2022 - 2026 | 1,076,414                | 283,285             | 2,075             | 1,078,489           | 283,285             |
| 2027 - 2031 | 314,097                  | 141,668             | -                 | 314,097             | 141,668             |
| 2032 - 2036 | 394,100                  | 61,665              | -                 | 394,100             | 61,665              |
| 2037        | 44,555                   | 1,023               | -                 | 44,555              | 1,023               |
|             | <u>\$ 6,239,719</u>      | <u>\$ 3,982,441</u> | <u>\$ 120,655</u> | <u>\$ 6,360,374</u> | <u>\$ 3,982,441</u> |

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2006, were an overall debt margin of \$10,182,705 and an unvoted debt margin of \$5,333,798.

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 11 – CONTINGENT LIABILITIES

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

NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS

A. SOUTH LORAIN COUNTY AMBULANCE DISTRICT

The Ambulance District is an ambulance district organized pursuant to Ohio Rev. Code Section 505.71 and is directed by an appointed seven-member Board of Trustees representing the Village of Wellington, and Wellington, Huntington, Penfield, Rochester, Brighton, and Pittsfield Townships. The Ambulance District provides emergency medical services to the residents within the Ambulance District which includes the Village.

B. WELLINGTON COMMUNITY FIRE DISTRICT

The Fire District is a joint or community fire district organized pursuant to Ohio Rev. Code Section 505.371 and is directed by an appointed six-member Board of Trustees representing the Village of Wellington and Brighton, Huntington, Penfield, Pittsfield, and Wellington Townships. The Fire District provides fire protection and rescue services within the Fire District which includes the Village.

C. WELLINGTON UNION CEMETERY

The Cemetery is a union cemetery organized pursuant to Ohio Rev. Code Section 759.27 and is directed by an appointed three-member Board of Trustees representing the Village of Wellington and Wellington Township. The Cemetery provides for the sale of burial lots, grave openings and closings, and the perpetual care of graves to residents of the Village and Township. The Cemetery operates and maintains the West Herrick Cemetery and Greenwood Cemetery, both located in the Village.

D. WELLINGTON COMMUNITY IMPROVEMENT CORPORATION

The Wellington CIC is a community improvement corporation organized pursuant to Ohio Rev. Code Section 1724 and is directed by a seven-member Board of Trustees which includes the Village Mayor, Council President, and Village Administrator. The Wellington CIC coordinates community development activities within the Village.

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 13 – JOINT VENTURE WITH EQUITY INTEREST

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

The Village is a participant with twenty-one subdivisions within the State of Ohio in this joint venture to provide supplemental reserve electric power to the participants on a cooperative basis. On dissolution of the joint venture, the net assets of Omega JV-1 will be shared by the participants on a percentage basis. The Omega JV-1 is managed by AMP-Ohio which acts as the joint venture's agent. The participants are obligated by the agreement to remit monthly costs incurred from using electricity generated by the joint venture. The Village's net investment and its share of the operating results of Omega JV-1 are reported in the Village's electric fund (an enterprise fund). The Village's equity interest in Omega JV-1 was \$ 17,311 at December 31, 2006. Complete financial statements for Omega JV-1 can be obtained from AMP-Ohio or from the Village's Clerk-Treasurer.

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

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

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

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

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2006 Wellington has met their debt coverage obligation.

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

VILLAGE OF WELLINGTON  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 13 – JOINT VENTURE WITH EQUITY INTEREST (continued)

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

OMEGA JV5 is managed by AMP-Ohio, which acts as the joint venture's agent. During 1993 and 2001 AMP-Ohio issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$ 34,951,833 from the periods 2005 through 2024.

The Village's net investment and its share of operating results of OMEGA JV5 are reported in the Village's electric fund (an enterprise fund). The Village's net investment to date in OMEGA JV5 was \$ 175,012 at December 31, 2006. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

NOTE 14 – INTERFUND TRANSFERS

During the year ended December 31, 2006 the General Fund transferred \$ 100,000 to the Water Fund for operating expenses.

NOTE 15 – SUBSEQUENT EVENTS

The Village has obtained an OWDA loan of \$ 2,136,247 to fund the construction of two 250,000 gallon water tanks. The term of the loan is thirty years, with an approximate annual debt service of \$130,000. The Water Fund will finance the semi-annual payments, with the payments beginning July 1, 2007.

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# 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*

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

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Wellington, Lorain County, (the Village) as of and for the years ended December 31, 2007 and December 31, 2006, which collectively comprise the Village's basic financial statements and have issued our report thereon dated December 1, 2008, wherein, we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles and in 2007 changed its budgetary statement presentation for 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 Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more than inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-002 and 2007-003.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2007-002 is also a material weakness.

We also noted a certain internal control matter that we reported to the Village's management in a separate letter dated December 1, 2008.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matter that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 and 2007-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated December 1, 2008.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village'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, and the Village Council. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

December 1, 2008

**VILLAGE OF WELLINGTON  
LORAIN COUNTY  
  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

|   |
|---|
| <b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|---|

**FINDING NUMBER 2007-001**

**Finding For Recovery Repaid Under Audit**

Pursuant to Ohio Rev. Code Section 759.27, the Village of Wellington and Wellington Township united to establish and manage the Wellington Union Cemetery. Each entity serves as a taxing authority for the cemetery. The Village of Wellington collects and distributes the proceeds of a .52 mil levy which was levied for the cemetery.

The Village failed to pay the homestead and rollback reimbursements associated with the property tax levy due to the Cemetery in the amount of \$4,234 in 2007 and \$3,802 in 2006.

In accordance with the foregoing facts, a Finding for Recovery for public monies due but not collected is hereby issued against the Village of Wellington in favor of the Wellington Union Cemetery in the amount of \$8,036.

On November 6, 2008, Clerk-Treasurer, Karen Webb issued check number 38921 in the amount of \$8,036 to the Wellington Union Cemetery from the Village's general checking account.

**Officials' Response:** Future homestead and rollback payments associated with the property tax levy will be forward to the Wellington Union Cemetery as received.

**FINDING NUMBER 2007-002**

**Significant Deficiency/Material Weakness**

**Financial Reporting**

Sound financial reporting is the responsibility of the Clerk/Treasurer and the Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

Numerous adjustments and revenue reclassifications were posted to the financial statements due to the following:

**2007**

**General Fund**

- Property and other taxes were understated by \$257,401, while intergovernmental revenues were overstated by \$246,917, resulting in an understatement of the fund balance of \$10,484.
- Posting errors requiring adjustments included homestead and rollback, as well as liquor permit monies belonging to the General fund that were posted to the SCMR and State Highway funds, July gas tax monies posted to the General fund, and homestead and rollback belonging to the Police Pension and Cemetery funds that were posted to the General Fund.
- Posting errors requiring reclassification included personal property reimbursements posted as taxes instead of intergovernmental, and Kilowatt-hour (kWH) taxes posted as intergovernmental instead of other local taxes.

**VILLAGE OF WELLINGTON  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

**FINDING NUMBER 2007-002 (continued)**

**Significant Deficiency/Material Weakness (continued)**

**Financial Reporting (continued)**

**Capital Improvement Fund**

- Intergovernmental revenues were overstated by \$23,094 while special assessments were understated by the same amount due to multiple posting errors.

**Other Governmental Funds**

- The Police Pension fund balance was understated by \$2,440. Intergovernmental revenues were overstated by \$23,645 while property taxes were understated by \$26,085. This was a result of homestead and rollback monies due to the Police Pension fund that were posted to the General, SCMR and State Highway funds. In addition all property tax monies were recorded as intergovernmental revenues.
- The SCMR Fund balance was overstated by \$15,871. Homestead and rollback posted belonged to the General, Police Pension, and Cemetery Funds while a July gas tax receipt was posted to the General Fund.
- The State Highway Fund balance was overstated by \$1,287. Homestead and Rollback posted belonged to the General, Police Pension, and Cemetery Funds while a July gas tax receipt was posted to the General Fund.
- The Cemetery Fund, which is used to account for monies from a cemetery levy that the Village collects for the Wellington Union Cemetery was understated by \$4,234. The homestead and rollback monies due to the Cemetery were never paid to the Cemetery Fund. These amounts were posted to the General, SCMR and State Highway Funds. In addition, all receipts were posted as charges for services revenue. \$8,759 should have been posted as intergovernmental revenue while \$45,212 should have posted as property taxes.

**2006**

**General Fund**

- Property and other taxes were understated by \$247,701, intergovernmental revenues were overstated by \$167,734, miscellaneous revenues were overstated by \$129,859, and contributions and donations were overstated by \$9,100. This resulted in an overstatement of the fund balance of \$5,995.
- Posting errors requiring adjustment included homestead and rollback monies posted that belonged to the Police Pension and Cemetery funds.
- Posting errors requiring reclassification included personal property, homestead and rollback, public utility tax, and exempt personal property reimbursements, local government from the state and the county, and local government revenue assistance posted as taxes instead of intergovernmental. In addition, Kilowatt-hour (kWH) taxes were posted as intergovernmental instead of other local taxes and a criminal justice grant was posted as donations instead of intergovernmental revenue.

**Capital Improvement Fund**

- OPWC monies in the amount of \$109,960 were not posted, resulting in an equal understatement of intergovernmental revenues and capital outlay expenditures.
- \$73,880 received from ODOT and ODOD was posted as miscellaneous revenue resulting in an overstatement of miscellaneous revenue and an understatement of intergovernmental revenue.

**Other Governmental Funds**

- The Police Pension fund balance was understated by \$2,193. Intergovernmental revenues were overstated by \$23,445 while property taxes were understated by \$25,638. This was a result of homestead and rollback monies due to the Police Pension fund that were posted to the General fund. In addition all property tax monies were recorded as intergovernmental revenues.

**VILLAGE OF WELLINGTON  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

**FINDING NUMBER 2007-002 (continued)**

**Significant Deficiency/Material Weakness (continued)**

**Financial Reporting (continued)**

**Other Governmental Funds (continued)**

- The Cemetery Fund, which is used to account for monies from a cemetery levy that the Village collects for the Wellington Union Cemetery was understated by \$3,802. The homestead and rollback monies due to the Cemetery were never paid to the Cemetery Fund. These amounts were posted to the General Fund. In addition, all receipts were posted as charges for services revenue. \$6,489 should have been posted as intergovernmental revenue while \$44,440 should have posted as property taxes.

The lack of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data at year-end.

The Village should adopt policies and procedures for controls over recording of daily financial transactions and over financial reporting to help ensure the information accurately reflects the activity of the Village and thereby increasing the reliability of the financial data at year-end.

**Officials' Response:** The above financial transactions were reviewed with the State Auditor's Office. In the future, a monthly review will be completed to ensure the accuracy of the year end data.

**FINDING NUMBER 2007-003**

**Material Noncompliance/Significant Deficiency**

**OPWC - Issue II**

Ohio Rev. Code Section 5705.09 (F) requires, in part, a special fund be created for each class of revenues derived from a source other than the general property tax which the law requires to be used for a particular purpose. Ohio Rev. Code Section 5705.39 prohibits a political subdivision from making a fund appropriation in excess of estimated resources available for expenditure from the fund. Ohio Rev. Code Section 5705.36(A)(3) allows all subdivisions to request an increased amended certificate of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater than the amount included in the official certificate. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. Ohio Rev. Code Section 5705.40 requires that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. However, no appropriation for any purpose may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations certified from or against the appropriation. Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making expenditures unless they have been properly appropriated

In 2006 the Village was the beneficiary of \$109,960 of Ohio Public Work Commission (OPWC) money sent directly to the vendor by OPWC. The Village did not record the receipt and expenditure of this money, nor did they amend their estimated resources or appropriations to reflect this activity. The accompanying financial statements were adjusted to reflect these amounts in the Capital Improvement Fund.

We recommend that when the Village receives notice that it has been approved for funding by a State or Federal agency, it should review the reporting requirements established by Auditor of State Bulletins 2000-008 and 2002-004, certify the available resources to the County Budget Commission, amend its appropriations measure to account for the grant funds, and when notified that funds have been expended on its behalf, make memo entries to post the revenues and expenditures to the Village's books.

**Officials' Response:** The OPWC Grants will be added to the financial reports and certified to the County Auditor as soon as a funding release is issued.





**Mary Taylor, CPA**  
Auditor of State

VILLAGE OF WELLINGTON

LORAIN COUNTY

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
JANUARY 20, 2009