

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 year ended December 31, 2008, 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 provides 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, 2008, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

As more fully described in Note 3, the January 1, 2008 fund balances of the Capital Improvement Fund and the Other Governmental Funds were restated to properly account for a previous manuscript debt issue.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2009, 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

September 21, 2009

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
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, 2008, 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 2008 are as follows

Net assets of governmental activities increased \$ 152,095 or 5.4 percent over 2007. This was primarily the result of increases of \$ 75,543 in the General Fund and a net increase of \$ 143,778 in the Other Governmental Funds. The Capital Improvements Fund had a decrease of \$ 67,226.

The Village's general receipts are primarily municipal income taxes and property and other local taxes. These receipts represent respectively 40.3 percent and 18.8 percent of the total cash received for governmental activities during the year. Property tax receipts for 2008 changed very little compared to 2007 as development within the Village has slowed.

Net assets of business-type activities increased \$ 4,771 from 2007. The Electric Fund had an increase of \$ 190,326 in net assets, while net assets in the Water Fund, Sewer Fund and Other Enterprise Funds decreased by \$ 21,874, \$ 139,771 and \$ 23,910, 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, 2008
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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 2008, 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, 2008
UNAUDITED

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 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 2008 compared to 2007 on a cash basis:

Table 1
Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Equity in pooled cash	\$ 2,993,746	\$ 2,841,651	\$ 4,887,510	\$ 4,882,739	\$ 7,881,256	\$ 7,724,390
Total assets	<u>\$ 2,993,746</u>	<u>\$ 2,841,651</u>	<u>\$ 4,887,510</u>	<u>\$ 4,882,739</u>	<u>\$ 7,881,256</u>	<u>\$ 7,724,390</u>
Net assets						
Restricted for:						
Capital projects	\$ 909,486	\$ 976,712	\$ -	\$ -	\$ 909,486	\$ 976,712
Debt service	40,242	23,895	-	-	40,242	23,895
Other purposes	941,271	813,841	-	-	941,271	813,841
Unrestricted	1,102,747	1,027,203	4,887,510	4,882,739	5,990,257	5,909,942
Total net assets	<u>\$ 2,993,746</u>	<u>\$ 2,841,651</u>	<u>\$ 4,887,510</u>	<u>\$ 4,882,739</u>	<u>\$ 7,881,256</u>	<u>\$ 7,724,390</u>

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
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As mentioned previously, net assets of governmental activities increased \$ 152,095 or 5.4 percent during 2008.

Table 2 reflects the changes in net assets in 2008 compared to 2007 on a cash basis.

Table 2
Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Receipts						
Program receipts						
Charges for services	\$ 146,405	\$ 135,297	\$ 8,152,097	\$ 7,449,929	\$ 8,298,502	\$ 7,585,226
Operating grants and contributions	45,588	60,523	-	-	45,588	60,523
Capital grants and contributions	465,286	439,813	9,150	17,500	474,436	457,313
Total program receipts	<u>657,279</u>	<u>635,633</u>	<u>8,161,247</u>	<u>7,467,429</u>	<u>8,818,526</u>	<u>8,103,062</u>
General receipts						
Property and other local taxes	681,038	671,204	-	-	681,038	671,204
Municipal income taxes	1,458,270	1,474,036	-	-	1,458,270	1,474,036
Grants and entitlements	565,316	512,867	-	-	565,316	512,867
Notes issued	-	-	174,776	464,880	174,776	464,880
Interest	251,148	355,948	178	311	251,326	356,259
Other	1,706	23,976	3,134	548,981	4,840	572,957
Total general receipts	<u>2,957,478</u>	<u>3,038,031</u>	<u>178,088</u>	<u>1,014,172</u>	<u>3,135,566</u>	<u>4,052,203</u>
Total receipts	<u>3,614,757</u>	<u>3,673,664</u>	<u>8,339,335</u>	<u>8,481,601</u>	<u>11,954,092</u>	<u>12,155,265</u>

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED

Table 2
Change in Net Assets
(Continued)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Program cash disbursements						
General government	\$ 413,390	\$ 346,351	\$ -	\$ -	\$ 413,390	\$ 346,351
Security of persons and property	873,335	846,527	-	-	873,335	846,527
Public health services	69,481	54,749	-	-	69,481	54,749
Leisure time activities	66,186	66,749	-	-	66,186	66,749
Community environment	117,620	109,575	-	-	117,620	109,575
Transportation	852,732	821,169	-	-	852,732	821,169
Capital outlay	998,029	669,831	-	-	998,029	669,831
Principal	59,963	59,775	-	-	59,963	59,775
Interest	11,926	15,154	-	-	11,926	15,154
Water	-	-	1,088,479	1,271,943	1,088,479	1,271,943
Sewer	-	-	925,099	893,033	925,099	893,033
Electric	-	-	5,965,548	5,490,409	5,965,548	5,490,409
Refuse	-	-	277,182	269,071	277,182	269,071
Other	-	-	78,256	61,846	78,256	61,846
Total program disbursements	<u>3,462,662</u>	<u>2,989,880</u>	<u>8,334,564</u>	<u>7,986,302</u>	<u>11,797,226</u>	<u>10,976,182</u>
Increase (decrease) in net assets	152,095	683,784	4,771	495,299	156,866	1,179,083
Net assets, at beginning of year, restated	<u>2,841,651</u>	<u>2,157,867</u>	<u>4,882,739</u>	<u>4,387,440</u>	<u>7,724,390</u>	<u>6,545,307</u>
Net assets, at end of year	<u>\$ 2,993,746</u>	<u>\$ 2,841,651</u>	<u>\$ 4,887,510</u>	<u>\$ 4,882,739</u>	<u>\$ 7,881,256</u>	<u>\$ 7,724,390</u>

Governmental Activities

Program receipts represent 18.2 percent of total receipts and are primarily comprised of charges for services and capital grants and contributions.

General receipts represent 81.8 percent of the Village's total receipts of governmental activities, and of this amount, over 72.3 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, 2008
UNAUDITED

If you look at the Statement of Activities on page 14, 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 25.3, 24.7, and 28.9 percent, of all governmental disbursements, respectively. General government also represents a significant cost, about 12.0 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

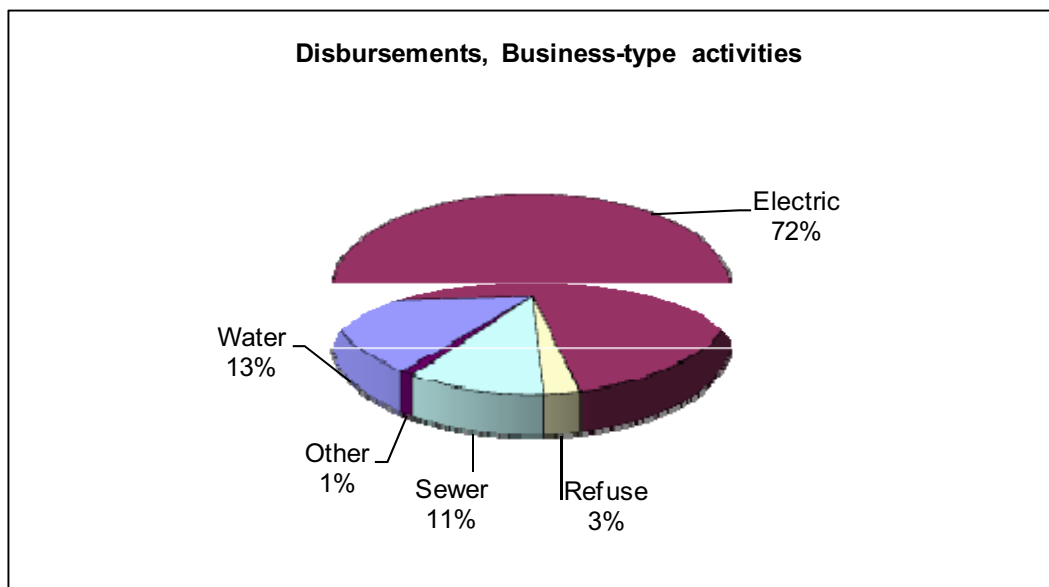
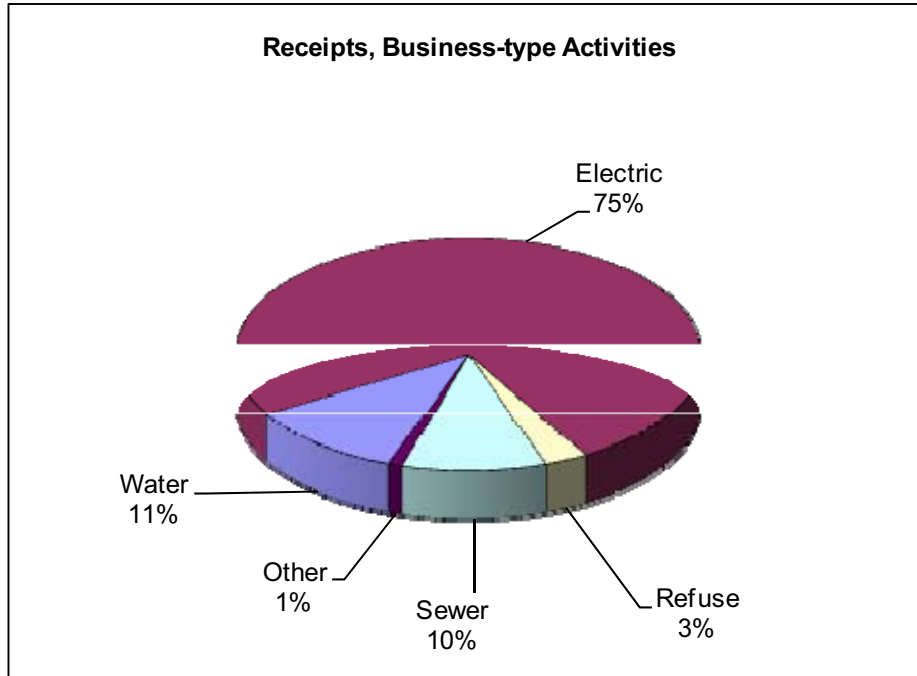
	Total Cost of Services	Net Cost of Services
Governmental activities		
General government	\$ 413,390	\$ 301,610
Security of persons and property	873,335	846,847
Public health services	69,481	69,481
Leisure time activities	66,186	56,583
Community environment	117,620	81,859
Transportation	852,732	764,496
Capital outlay	998,029	612,618
Principal	59,963	59,963
Interest and fiscal charges	11,926	11,926
Total governmental activities	\$ 3,462,662	\$ 2,805,383

The dependence upon property and income tax receipts is apparent as 61.8 percent of governmental activities are supported through these general receipts.

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED

Business-type Activities

Charges for services is the primary source of receipts for the business-type activities. Program cash receipts were \$ 693,818 higher in 2008. Disbursements for water, sewer and refuse operations exceeded their operating receipts.



VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED

The Village's Funds

Total governmental funds had receipts of \$ 3,614,757 and disbursements of \$ 3,462,662, excluding transfers in and out. The greatest changes within governmental funds occurred within the General Fund and the Capital Improvements Fund. The fund balance of the General Fund increased \$ 75,543 and the fund balance of the Capital Improvements Fund decreased \$ 67,226.

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 2008, the Village amended its General Fund budget twice to reflect changing circumstances. Final budgeted receipts were \$ 20,000 higher than as original budgeted receipts. Actual receipts were less than the final budgeted amount by \$ 290,114.

Final disbursements were budgeted at \$ 2,802,915 while actual disbursements were \$ 2,394,353.

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	
	2008	2007	2008	2007	2008	2007
OWDA loan	\$ -	\$ -	\$ 6,346,525	\$ 6,394,413	\$ 6,346,525	\$ 6,394,413
Bonds						
General obligation	-	-	-	-	-	-
Special assessment	137,941	184,277	-	-	137,941	184,277
OPWC loan	149,892	163,519	103,342	111,999	253,234	275,518
	<u>\$ 287,833</u>	<u>\$ 347,796</u>	<u>\$ 6,449,867</u>	<u>\$ 6,506,412</u>	<u>\$ 6,737,700</u>	<u>\$ 6,854,208</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 11 to the basic financial statements.

Current Issues

The Village received an OPWC grant for \$ 124,999 and a \$ 124,999 loan (0%) for the reconstruction of Carpenter Street. The Carpenter Street residents were assessed \$ 74,722 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, 2008
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, OHIO
LORAIN COUNTY

STATEMENT OF NET ASSETS

DECEMBER 31, 2008

	Governmental Activities	Business-type Activities	Total
Assets			
Equity in pooled cash	\$ 2,993,746	\$ 4,887,510	\$ 7,881,256
Total assets	<u>\$ 2,993,746</u>	<u>\$ 4,887,510</u>	<u>\$ 7,881,256</u>
Net assets			
Restricted for:			
Capital projects	\$ 909,486	\$ -	\$ 909,486
Debt service	40,242	-	40,242
Highways and streets	880,961	-	880,961
Security of persons and property	38,516	-	38,516
Recreation	16,293	-	16,293
Other	5,501		5,501
Unrestricted	1,102,747	4,887,510	5,990,257
Total net assets	<u>\$ 2,993,746</u>	<u>\$ 4,887,510</u>	<u>\$ 7,881,256</u>

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2008

	Cash Disbursements	Program Cash Receipts		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 413,390	\$ 111,780	\$ -	\$ -
Security of persons and property	873,335	17,436	9,052	-
Public health services	69,481	-	-	-
Leisure time activities	66,186	8,828	775	-
Community environment	117,620	-	35,761	-
Transportation	852,732	-	-	88,236
Capital outlay	998,029	8,361	-	377,050
Principal	59,963	-	-	-
Interest and fiscal charges	11,926	-	-	-
Total governmental activities	<u>3,462,662</u>	<u>146,405</u>	<u>45,588</u>	<u>465,286</u>
Business-type activities				
Water	1,088,479	883,045	-	5,650
Sewer	925,099	781,828	-	3,500
Electric	5,965,548	6,155,874	-	-
Refuse	277,182	247,342	-	-
Other	78,256	84,008	-	-
Total business-type activities	<u>8,334,564</u>	<u>8,152,097</u>	<u>-</u>	<u>9,150</u>
Total	<u>\$ 11,797,226</u>	<u>\$ 8,298,502</u>	<u>\$ 45,588</u>	<u>\$ 474,436</u>

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

Change in net assets

Net assets at beginning of year, restated

Net assets at end of year

See accompanying notes to the basic financial statements.

Net (Disbursements) Receipts and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (301,610)	\$ -	\$ (301,610)
(846,847)	-	(846,847)
(69,481)	-	(69,481)
(56,583)	-	(56,583)
(81,859)	-	(81,859)
(764,496)	-	(764,496)
(612,618)	-	(612,618)
(59,963)	-	(59,963)
(11,926)	-	(11,926)
<u>(2,805,383)</u>	<u>-</u>	<u>(2,805,383)</u>
-	(199,784)	(199,784)
-	(139,771)	(139,771)
-	190,326	190,326
-	(29,840)	(29,840)
-	5,752	5,752
-	(173,317)	(173,317)
<u>(2,805,383)</u>	<u>(173,317)</u>	<u>(2,978,700)</u>
681,038	-	681,038
1,458,270	-	1,458,270
565,316	-	565,316
-	174,776	174,776
251,148	178	251,326
1,706	3,134	4,840
<u>2,957,478</u>	<u>178,088</u>	<u>3,135,566</u>
152,095	4,771	156,866
<u>2,841,651</u>	<u>4,882,739</u>	<u>7,724,390</u>
<u>\$ 2,993,746</u>	<u>\$ 4,887,510</u>	<u>\$ 7,881,256</u>

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES -
GOVERNMENTAL FUNDS
DECEMBER 31, 2008

	General Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in pooled cash	\$ 1,102,747	\$ 909,486	\$ 981,513	\$ 2,993,746
Total assets	<u>\$ 1,102,747</u>	<u>\$ 909,486</u>	<u>\$ 981,513</u>	<u>\$ 2,993,746</u>
Fund balances				
Reserved for encumbrances	111,096	305,216	23,055	439,367
Unreserved reported in:				
General fund	991,651	-	-	991,651
Special revenue funds	-	-	918,216	918,216
Debt service funds	-	-	40,242	40,242
Capital projects	-	604,270	-	604,270
Total net assets	<u>\$ 1,102,747</u>	<u>\$ 909,486</u>	<u>\$ 981,513</u>	<u>\$ 2,993,746</u>

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY

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

FOR THE YEAR ENDED DECEMBER 31, 2008

	General	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Municipal income tax	\$ 1,093,699	\$ 364,571	\$ -	\$ 1,458,270
Property and other taxes	608,333	-	72,705	681,038
Special assessments	-	3,458	88,236	91,694
Charges for services	50,190	8,361	8,828	67,379
Fines, licenses and permits	48,154	-	-	48,154
Intergovernmental	345,222	373,602	265,672	984,496
Interest	180,674	3,448	67,026	251,148
Contributions and donations	2,775	-	-	2,775
Miscellaneous	29,753	50	-	29,803
Total revenues	2,358,800	753,490	502,467	3,614,757
Expenditures				
Current				
General government	413,390	-	-	413,390
Security of persons and property	855,678	-	17,657	873,335
Public health services	3,498	-	65,983	69,481
Leisure time activities	50,635	-	15,551	66,186
Community environment	117,620	-	-	117,620
Transportation	725,387	-	127,345	852,732
Capital outlay	111,549	820,716	65,764	998,029
Debt service				
Principal	-	-	59,963	59,963
Interest and fiscal charges	-	-	11,926	11,926
Total disbursements	2,277,757	820,716	364,189	3,462,662
Excess of receipts over (under) disbursements	81,043	(67,226)	138,278	152,095
Other financing sources (uses)				
Transfers-in	-	-	5,500	5,500
Transfers-out	(5,500)	-	-	(5,500)
Total other financing sources (uses)	(5,500)	-	5,500	-
Net change in fund balances	75,543	(67,226)	143,778	152,095
Fund balances at beginning of year, restated	1,027,204	976,712	837,735	2,841,651
Fund balances at end of year	\$ 1,102,747	\$ 909,486	\$ 981,513	\$ 2,993,746

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY

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

FOR THE YEAR ENDED DECEMBER 31, 2008

	GENERAL FUND			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Revenues	\$ 2,628,914	\$ 2,648,914	\$ 2,358,800	\$ (290,114)
Expenditures	2,702,915	2,802,915	2,394,353	408,562
Net change in fund balances	(74,001)	(154,001)	(35,553)	118,448
Prior year encumbrances appropriated	72,915	72,915	72,915	-
Fund balance at beginning of year	954,289	954,289	954,289	-
Fund balance at end of year	\$ 953,203	\$ 873,203	\$ 991,651	\$ 118,448

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
STATEMENT OF FUND NET ASSETS – CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2008

	Water	Sewer	Electric	Other Enterprise Funds	Total Enterprise Funds
Assets					
Equity in pooled cash	\$ 507,902	\$ 1,083,903	\$ 3,010,486	\$ 285,219	\$ 4,887,510
Total assets	<u>\$ 507,902</u>	<u>\$ 1,083,903</u>	<u>\$ 3,010,486</u>	<u>\$ 285,219</u>	<u>\$ 4,887,510</u>
Net assets					
Unrestricted	\$ 507,902	\$ 1,083,903	\$ 3,010,486	\$ 285,219	\$ 4,887,510
Total net assets	<u>\$ 507,902</u>	<u>\$ 1,083,903</u>	<u>\$ 3,010,486</u>	<u>\$ 285,219</u>	<u>\$ 4,887,510</u>

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY

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

FOR THE YEAR ENDED DECEMBER 31, 2008

	Water	Sewer	Electric	Other Enterprise Funds	Total Enterprise Funds
Operating receipts					
Charges for services	\$ 877,627	\$ 769,181	\$ 5,941,328	\$ 330,031	\$ 7,918,167
Interest	-	-	-	178	178
Miscellaneous	8,552	12,647	214,546	1,319	237,064
Total operating receipts	<u>886,179</u>	<u>781,828</u>	<u>6,155,874</u>	<u>331,528</u>	<u>8,155,409</u>
Operating disbursements					
Personal services	448,298	373,837	742,352	-	1,564,487
Travel transportation	523	965	2,699	-	4,187
Contractual services	39,188	57,339	4,685,668	354,548	5,136,743
Materials and supplies	161,409	97,029	212,519	890	471,847
Capital outlay	223,733	25,756	322,310	-	571,799
Total operating disbursements	<u>873,151</u>	<u>554,926</u>	<u>5,965,548</u>	<u>355,438</u>	<u>7,749,063</u>
Operating income (loss)	<u>13,028</u>	<u>226,902</u>	<u>190,326</u>	<u>(23,910)</u>	<u>406,346</u>
Non-operating receipts/disbursements					
Principal paid	(70,858)	(160,463)	-	-	(231,321)
Interest and fiscal charges	(144,470)	(209,710)	-	-	(354,180)
Notes issued	174,776	-	-	-	174,776
Total non-operating receipts/disbursements	<u>(40,552)</u>	<u>(370,173)</u>	<u>-</u>	<u>-</u>	<u>(410,725)</u>
Income (loss) before transfers and advance	(27,524)	(143,271)	190,326	(23,910)	(4,379)
Capital contributions - tap fees	<u>5,650</u>	<u>3,500</u>	<u>-</u>	<u>-</u>	<u>9,150</u>
Change in net assets	(21,874)	(139,771)	190,326	(23,910)	4,771
Net assets at beginning 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>
Net assets at end of year	<u>\$ 507,902</u>	<u>\$ 1,083,903</u>	<u>\$ 3,010,486</u>	<u>\$ 285,219</u>	<u>\$ 4,887,510</u>

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY

STATEMENT OF NET ASSETS –
FIDUCIARY FUNDS

DECEMBER 31, 2008

	<u>Agency</u>
Assets	
Equity in pooled cash	<u>\$ 10,990</u>
Total assets	<u>10,990</u>
Net assets	
Unrestricted	<u>10,990</u>
Total net assets	<u>\$ 10,990</u>

See accompanying notes to the basic financial statements.

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VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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 13 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 14 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 14 of these financial statements.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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.

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

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

Proprietary Funds

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

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, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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 ORC Section 5705.38 (C) which requires "subdivisions" other than schools to separately appropriate the amounts for each office, departments and division, and within each, the amount appropriated for personal services.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the 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, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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, 2008.

F. RESTRICTED ASSETS

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

G. INVENTORY AND PREPAID ITEMS

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

H. CAPITAL ASSETS

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

I. INTERFUND RECEIVABLES/PAYABLES

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

J. ACCUMULATED LEAVE

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

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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, 2008, net assets restricted by enabling legislation were \$ 40,242 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, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 3 – RESTATEMENT OF FUND BALANCES

The January 1, 2008 fund balances of the Capital Improvements Fund and the Other Governmental Funds were restated to properly account for manuscript debt that was previously issued. The Capital Improvements Fund was restated from \$918,435 to \$976,712 while the Other Governmental Funds were restated from \$890,735 to \$837,735.

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund is 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 \$ 111,096 for the General Fund.

NOTE 5 - 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, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 5 - 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 \$ 1,988,023 and the bank balance was \$ 2,035,464. Of the bank balance, \$ 500,000 was covered by federal depository insurance and \$ 1,535,464 was uninsured. Of the remaining balance, \$ 1,535,464 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, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Investments

As of December 31, 2008, the Village had the following investments:

	Weighted Average Maturities Years	Fair Value
STAROhio	n/a	\$ 5,848,882
Local government securities	n/a	54,941
		\$ 5,903,823

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, 2008:

	Percentage of Investments
STAROhio	99.1%
Local government securities	0.9%

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 6 – 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 7 – 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 2008 represent the collection of 2007 taxes. Real property taxes received in 2008 were levied after October 1, 2007, on the assessed values as of January 1, 2007, 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 2008 represent the collection of 2007 taxes. Public utility real and tangible personal property taxes received in 2008 became a lien on December 31, 2007, were levied after October 1, 2007, 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 2008 (other than public utility property) represent the collection of 2008 taxes. Tangible personal property taxes received in 2008 were levied after October 1, 2007, on the true value as of December 31, 2007. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory was 6.25 percent for 2008. This will be reduced to 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, 2008, was \$ 4.40 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2008 property tax receipts were based are as follows:

	2008 Collection Year
Property valuation consisted of:	
Real property	\$ 92,061,600
Public utility property	1,744,320
Tangible personal property	5,958,689
Total valuation	<u>\$ 99,764,609</u>

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 8 – 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 9– 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) 222-5601 or (800) 222-7377.

For the year ended December 31, 2008, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 10.0 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 10.0 percent. The Village contributed at a total rate of 14.0% for state and local, 17.4% for law enforcement and public safety divisions. 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, 2008, 2007, and 2006 were \$ 136,898, \$ 155,243, and \$ 168,874, respectively. The Village has paid all contributions required through December 31, 2008.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 9— 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, 2008, 2007, and 2006 were \$ 38,225, \$ 36,458, and \$ 32,600, respectively. The Village has paid all contributions required through December 31, 2008.

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, Attention: Finance Director, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 10 - POSTEMPLOYMENT BENEFITS (continued)

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, state employers contributed at a rate of 14.00% of covered payroll, local government employer units contributed at 14.00% of covered payroll, and public safety and law enforcement employer units contributed at 17.40%. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2008, the employer contribution allocated to the health care plan was 7.0% of covered payroll, respectively. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions to OPERS for the years ending December 31, 2008, 2007, and 2006 were \$ 273,796, \$ 261,898 and \$ 245,518 respectively, of which \$ 136,898, \$ 106,655, and \$ 80,645, respectively, was allocated to the healthcare plan.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan

B. OHIO POLICE AND FIRE PENSION FUND

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for 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. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 10 - POSTEMPLOYMENT BENEFITS (continued)

B. OHIO POLICE AND FIRE PENSION FUND (continued)

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2008, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions to OP&F for the years ending December 31, 2008, 2007, and 2006 were \$ 58,461, \$ 55,759, and \$ 54,103, respectively, of which \$ 20,237, \$ 19,301, and \$ 21,502 respectively, was allocated to the healthcare plan.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 11 - DEBT

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

	Outstanding 12/31/07	Additions	Reductions	Outstanding 12/31/08	Due In One Year
<u>Governmental activities</u>					
Special assessment bonds					
Street Improvements (1999) 6.0% through 2019	\$ 38,832	\$ -	\$ 2,289	\$ 36,543	\$ 2,429
Street Improvements (2000) 5.75% through 2020	19,445	-	1,047	18,398	1,107
Street Improvements (1990) Varying % through 2010	24,000	-	8,000	16,000	8,000
Street Improvements (1989) 7.65% through 2009	6,000	-	3,000	3,000	3,000
Street Improvements (1988) 7.50% through 2008	18,000	-	18,000	-	-
Street Improvements (1991) 7.50% through 2011	18,000	-	4,000	14,000	4,000
Street Improvements (1993) Varying % through 2013	60,000	-	10,000	50,000	10,000
Total special assessment bonds	<u>184,277</u>	<u>-</u>	<u>46,336</u>	<u>137,941</u>	<u>28,536</u>
Ohio Public Works (2000) 0% through 2020	163,519	-	13,627	149,892	13,627
Total governmental activities	<u>\$ 347,796</u>	<u>\$ -</u>	<u>\$ 59,963</u>	<u>\$ 287,833</u>	<u>\$ 42,163</u>

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 11 – DEBT (continued)

	Outstanding 12/31/07	Additions	Reductions	Outstanding 12/31/08	Due In One Year
<u>Business-type activities</u>					
Ohio Public Works					
OPWC loan (2002)					
0% through 2022	\$ 60,173	\$ -	\$ 4,150	\$ 56,023	\$ 4,150
OPWC loan (1999)					
0% through 2019	51,826	-	4,507	47,319	4,507
Total OPWC loans	<u>111,999</u>	<u>-</u>	<u>8,657</u>	<u>103,342</u>	<u>8,657</u>
Ohio Water Development Authority					
OWDA loan (1999)					
6.32% through 2024	1,113,009	-	42,225	1,070,784	44,894
OWDA loan (1999)					
6.87% through 2024	697,237	-	34,911	662,326	37,310
OWDA loan (2000)					
5.86% through 2024	802,280	-	30,175	772,105	31,944
OWDA loan (2005)					
4.66% through 2025	2,000,706	-	79,406	1,921,300	83,149
OWDA loan (2006)					
4.59% through 2037	1,781,181	174,776	35,947	1,920,010	37,616
Total OWDA loans	<u>6,394,413</u>	<u>174,776</u>	<u>222,664</u>	<u>6,346,525</u>	<u>234,913</u>
Total business-type activities	<u>\$ 6,506,412</u>	<u>\$ 174,776</u>	<u>\$ 231,321</u>	<u>\$ 6,449,867</u>	<u>\$ 243,570</u>

The Special Assessment Bonds were issued for street reconstruction. The General Obligation Bonds are for improvements to the Village's electric utility. 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. 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, OHIO
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 11 – 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
2009	\$ 28,536	\$ 8,682	\$ 13,627	\$ 42,163	\$ 8,682
2010	26,747	6,771	13,627	40,374	6,771
2011	18,972	4,996	13,626	32,598	4,996
2012	14,209	3,784	13,626	27,835	3,784
2013	14,462	2,935	13,626	28,088	2,935
2014- 2018	26,647	7,379	68,133	94,780	7,379
2019 - 2020	8,368	610	13,627	21,995	610
	<u>\$ 137,941</u>	<u>\$ 35,157</u>	<u>\$ 149,892</u>	<u>\$ 287,833</u>	<u>\$ 35,157</u>

Year	Business-type Activities				
	OWDA loans		OPWC loans	Total	
	Principal	Interest	Principal	Principal	Interest
2009	\$ 234,913	\$ 341,931	\$ 8,657	\$ 243,570	\$ 341,931
2010	247,851	328,993	8,657	256,508	328,993
2011	261,521	315,323	8,657	270,178	315,323
2012	275,964	300,880	8,657	284,621	300,880
2013	291,225	285,619	8,657	299,882	285,619
2014- 2018	1,717,166	1,167,055	43,283	1,760,449	1,167,055
2019 - 2023	1,986,460	649,326	16,774	2,003,234	649,326
2024 - 2028	609,278	262,879		609,278	262,879
2029 - 2033	511,486	151,093		511,486	151,093
2034 - 2040	210,661	30,075		210,661	30,075
	<u>\$ 6,346,525</u>	<u>\$ 3,833,174</u>	<u>\$ 103,342</u>	<u>\$ 6,449,867</u>	<u>\$ 3,833,174</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 \$10,475,284 and an unvoted debt margin of \$5,487,053.

VILLAGE OF WELLINGTON, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 12 – 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 13 – JOINTLY GOVERNED ORGANIZATIONS

A. SOUTH LORAIN COUNTY AMBULANCE DISTRICT

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

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, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 14 – 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 \$ 14,085 at December 31, 2008. 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, 2008 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, OHIO
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 14 – 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 \$ 145,135 at December 31, 2008. 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.

NOTE 15 – RELATED PARTY TRANSACTION

A Village Councilman is employed by Wolff Bros. Electrical Supply. The Village paid \$5,336 to Wolff Bros. Electrical Supply during 2008 for various supplies and parts.



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 year ended December 31, 2008, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 21, 2009 wherein we noted the Village restated the January 1, 2008 fund balances of the Capital Improvement Fund and the Other Governmental Funds to properly account for a previous manuscript debt issue. 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 a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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 finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

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. We believe the significant deficiency described above is also a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated September 21, 2009.

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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-002.

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 September 21, 2009.

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 Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

September 21, 2009

VILLAGE OF WELLINGTON
LORAIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2008

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

FINDING NUMBER 2008-001

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 that 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:

General Fund

Property and Other Taxes were overstated by \$64,664, while Intergovernmental revenues were understated by \$38,581, resulting in an overstatement of the fund balance of \$26,086. These adjustments and reclassifications were the result of the following posting errors.

- \$1,540 and \$2,669 1st half homestead and rollback reimbursements belonging to the Police Pension and Cemetery funds, respectively, were posted as Taxes in the General Fund.
- \$1,548 and \$2,684 2nd half homestead and rollback reimbursements belonging to the Police Pension and Cemetery funds, respectively, were posted as Intergovernmental revenue in the General Fund.
- January, July, August, and October cents per gallon receipts totaling \$16,318 which belonged to the SCMR Fund was posted as Intergovernmental Revenue in the General Fund.
- January, July, August, and October cents per gallon receipts totaling \$1,324 which belonged to the State Highway Fund was posted as Intergovernmental Revenue in the General Fund.
- The General Fund's 1st half homestead and rollback reimbursement totaling \$18,345 was posted as Property and Other Taxes instead of Intergovernmental revenue.
- Personal property state reimbursements totaling \$42,110 were posted as Property and Other Taxes instead of Intergovernmental revenue.

Other Governmental Funds

- The Police Pension fund balance was understated by \$3,088. Intergovernmental revenues were understated by \$6,790 while property taxes were overstated by \$3,702. 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 personal property state reimbursements, public utility tax reimbursements, and homestead reimbursements were posted as Property and Other Taxes instead of Intergovernmental revenue.
- The SCMR Fund balance was understated by \$16,318 due to the January, July, August, and October cents per gallon receipts that were posted to the General Fund.
- The State Highway Fund balance was understated by \$1,324. due to the January, July, August, and October cents per gallon receipts that were 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, had all receipts posted as Charges for Services revenue. \$6,387 should have been posted as Intergovernmental revenue while \$46,116 should have been posted as Property and Other Taxes.

VILLAGE OF WELLINGTON
LORAIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2008

FINDING NUMBER 2008-001 (continued)

Significant Deficiency/Material Weakness (continued)

Financial Reporting (continued)

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 transactions were reviewed with the State Auditor and controls will be implemented to ensure financial transactions and financial reporting accurately reflects the year end data.

FINDING NUMBER 2008-002

Material Noncompliance

Fiscal Officer's Certificate

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

"Then and Now" certificate – If the fiscal officer can certify that both at the time the contract or order was made ("then"), and at the time that he is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Blanket Certificate – Fiscal officers may prepare blanket certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the board against any specific line item account over a period not running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any particular line item appropriation.

Super Blanket Certificate – The taxing authority may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

VILLAGE OF WELLINGTON
LORAIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2008

FINDING NUMBER 2008-002 (continued)

Material Noncompliance (continued)

Fiscal Officer's Certificate (continued)

For 11 of 64 (17.19%) expenditures tested, the Village did not properly certify funds prior to the purchase commitment nor was there evidence the Village followed the aforementioned exceptions for these transactions. Failure to properly certify the availability of funds can result in overspending of funds and negative cash balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the taxing authority's funds exceeding budgetary spending limitations, the Village should certify that funds are or will be available prior to obligation by the taxing authority. When prior certification is not possible, "then and now" certification should be used.

Officials' Response: Certification of availability of funds will be implemented for all expenditures to insure funds are not overspent.



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
OCTOBER 15, 2009**