

# **Wellington Exempted Village School District**

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*Basic Financial Statements*

*Year Ended June 30, 2004*





**Auditor of State  
Betty Montgomery**

Board of Education  
Wellington Exempted Village School District  
201 South Main Street  
Wellington, Ohio 44090

We have reviewed the Independent Auditor's Report of the Wellington Exempted Village School District, Lorain County, prepared by Rea & Associates, Inc., for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

March 30, 2005

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# WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT

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# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

January 21, 2005

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

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of Wellington Exempted Village School District, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Wellington Exempted Village School District's management. Our responsibility is to express opinions on these financial statements based on our audit

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 that our audit provides a reasonable basis for our opinions.

As stated in Note 3, Wellington Exempted Village School District, adopted Governmental Accounting Standards Board (GASB) Statements No. 34, Basic Financial Statements and Management's Discussion and Analysis, No. 37, Basic Financial Statements—and Management's Discussion and Analysis—For State and Local Governments: Omnibus, and No. 38, Certain Financial Statement Note Disclosures, GASB Statement No. 41, "Budgetary Comparison Schedules Perspective Difference," and GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financials."

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of Wellington Exempted Village School District, as of June 30, 2004, and the respective changes in financial position where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards", we have also issued our report dated January 21, 2005 on our consideration of Wellington Exempted Village School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Audit Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 9 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Rea & Associates, Inc.*



**Wellington Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*(Unaudited)*

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The discussion and analysis of the Wellington Exempted Village School District's (the School District's) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

***Financial Highlights***

Key Financial Highlights for 2004 are as follows:

- ❑ General Revenues accounted for \$11.3 million in revenue or 90% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for approximately \$1.3 million or 10% of total revenues of \$12.6 million.
- ❑ Total program expenses were \$13.5 million in Governmental Activities.
- ❑ In total, net assets of Governmental Activities decreased approximately \$897,000, which represents a 13% decrease from 2003.

***Reporting the School District as a Whole***

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* excluding fiduciary funds using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

- ❑ Governmental Activities – All of the School District's programs and services are reported here, including instruction, support services, operation and maintenance of plant, pupil transportation, food service operation and extracurricular activities.

**Wellington Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*(Unaudited)*

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***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

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

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

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

The fiduciary fund financial statements begin on page 17.

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

**Wellington Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*(Unaudited)*

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**The School District as a Whole**

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

Table 1 provides a summary of the School District's net assets for 2004 compared to 2003:

**(Table 1)**  
**Net Assets**

	Governmental Activities	
	2004	2003
<b>Assets</b>		
Current and Other Assets	\$ 6,817,329	\$ 7,798,089
Capital Assets	4,529,376	4,541,297
Total Assets	11,346,705	12,339,386
<b>Liabilities</b>		
Long-Term Liabilities	424,141	780,561
Other Liabilities	4,732,135	4,471,881
Total Liabilities	5,156,276	5,252,442
<b>Net Assets</b>		
Invested in Capital		
Assets Net of Debt	4,529,376	4,431,204
Restricted	313,652	875,731
Unrestricted (Deficit)	1,347,401	1,780,009
Total Net Assets	\$ 6,190,429	\$ 7,086,944

Total net assets decreased by approximately \$897,000. This decrease was partially due to a decrease in cash and cash equivalents of \$778,000.

**Wellington Exempted Village School District**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2004*

*(Unaudited)*

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Table 2 shows the changes in net assets for fiscal year 2004. Since this is the first year the School District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2003 are not available. This table will present two fiscal years in side-by-side comparisons in successive reporting years. This will enable the reader to draw further conclusion about the District's financial status and possibly project future problems.

**(Table 2)**  
**Changes in Net Assets**

<b><i>Program Revenues:</i></b>	
Charges for Services	\$ 766,777
Operating Grants	515,289
<b><i>General Revenue:</i></b>	
Property Taxes	5,051,898
Grants and Entitlements	6,122,808
Other	<u>143,506</u>
<i>Total Revenues</i>	12,600,278
<b><i>Program Expenses:</i></b>	
Instruction	7,154,997
Support Services	5,356,732
Operation of Non-Instructional Services	5,407
Extracurricular Activities	422,686
Interest and Fiscal Charges	5,599
Food Services	431,326
Uniform School Supplies	71,317
Latchkey	<u>48,729</u>
<i>Total Expenses</i>	<u>13,496,793</u>
Increase (Decrease) in Net Assets	<u><u>\$ (896,515)</u></u>

**Wellington Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*(Unaudited)*

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**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental activity had total revenues of \$12.6 million and expenses of \$13.5 million. Comparisons to 2003 have not been made since they are not available.

**(Table 3)**  
**Governmental Activities**

	2004	
	Total Cost of Service	Net Cost of Service
Instruction	\$ 7,154,997	\$ (6,755,870)
Support Services:		
Pupil and Instructional Staff	1,049,699	(1,006,999)
Board of Education, Administration		
Fiscal and Business	1,746,846	(1,667,945)
Operation and Maintenance of Plant	1,638,901	(1,607,501)
Pupil Transportation and Central	921,286	(907,938)
Operation of non-instructional services	5,407	(5,407)
Extracurricular Activities	422,686	(215,349)
Interest Charges	5,599	(5,599)
Food Service Operations	431,326	5,742
Uniform Supplies	71,317	(2,392)
Latchkey	48,729	(45,469)
	<u>\$ 13,496,793</u>	<u>\$ (12,214,727)</u>
Total	<u>\$ 13,496,793</u>	<u>\$ (12,214,727)</u>

Instruction and Student Support Services comprise 77% of governmental program expenses. Pupil transportation and the operation/maintenance of plant account for 16% of governmental program expenses.

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

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2004, there were minor material changes to the School District's total general fund budget. The School District uses site-based budgeting and the budgeting system which are designed to tightly control total site budgets but provide flexibility for site management.

**Wellington Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*(Unaudited)*

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For the general fund, budget basis revenue was approximately \$11 million, \$248,000 over the original budget estimates of approximately \$10.7 million. This difference was due to estimated real estate taxes being based on historical percentages of previous collections. This estimate was lower than the actual collection due to the re-evaluation of property worth.

Final appropriations of approximately \$11.5 million were approximately \$436,000 higher than the approximately \$11.1 million in the original budget, due to an increase of medical insurance costs, and building repairs.

***Capital Assets and Debt Administration***

**Capital Assets**

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

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

	Governmental Activities
	2004
Land	\$ 1,430,520
Land Improvements	333,570
Buildings and Improvements	2,032,698
Furniture and Equipment	211,861
Vehicles	520,727
Totals	\$ 4,529,376

A change in Ohio law required school districts to set aside 3% of certain revenues for capital improvements and an additional 3% for textbooks. For fiscal year 2004, this amounted to \$216,539 for each set aside. The School District has qualifying disbursements or offsets exceeding these requirements for capital improvement and textbooks. See Note 19 for additional information.

**Wellington Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*(Unaudited)*

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***Current Issues***

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

The five-year forecast projects a deficit in fiscal year 2007. In November 2004, the School District put a \$7.83 mills Emergency School Levy on the ballot to maintain a constant level of service and to provide for needed building and grounds repairs. The levy failed.

The School District has taken several steps to deal with the projected revenue deficit including various cost cutting measures such as reducing staffing, professional leave, School District paid field trips and reinstating the "sport travel" fee. The School District is also planning to place a Permanent Improvement Levy before the voters in May 2005.

***Contacting the School District's Financial Management***

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Suzanne Wilson, Treasurer of Wellington Exempted Village School District, 210 South Main Street, Wellington, OH 44090.

**Wellington Exempted Village School District**

*Statement of Net Assets*

*June 30, 2004*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 2,644,098
Receivables:	
Taxes	4,083,239
Intergovernmental	89,992
Nondepreciable Capital Assets	1,430,520
Depreciable Capital Assets (Net)	<u>3,098,856</u>
<i>Total Assets</i>	<u>11,346,705</u>
<b>Liabilities</b>	
Accounts Payable	54,797
Contracts Payable	21,700
Accrued Wages and Benefits	1,235,391
Intergovernmental Payable	340,470
Deferred Revenue	2,745,534
Claims Payable	334,243
Long Term Liabilities:	
Due Within One Year	7,798
Due Within More Than One Year	<u>416,343</u>
<i>Total Liabilities</i>	<u>5,156,276</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	4,529,376
Restricted for:	
Capital Projects	275,727
Debt Service	31
Other Purposes	37,894
Unrestricted	<u>1,347,401</u>
<i>Total Net Assets</i>	<u>\$ 6,190,429</u>

See accompanying notes to the basic financial statements.



**Wellington Exempted Village School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2004

	Program Revenues			Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
<b>Governmental Activities</b>				
Current:				
Instruction:				
Regular	\$ 5,699,768	\$ 109,732	\$ 76,854	\$ (5,513,182)
Special	1,004,442	0	212,541	(791,901)
Vocational	129,935	0	0	(129,935)
Other	320,852	0	0	(320,852)
Support services:				
Pupils	532,061	0	0	(532,061)
Instructional staff	517,638	0	42,700	(474,938)
Board of education	204,510	0	0	(204,510)
Administration	1,205,005	68,375	8,549	(1,128,081)
Fiscal	9,083	0	1,977	(7,106)
Business	328,248	0	0	(328,248)
Operation and maintenance of plant	1,638,901	0	31,400	(1,607,501)
Pupil transportation	701,044	9,379	0	(691,665)
Central	220,242	0	3,969	(216,273)
Operation of non-instructional services	5,407	0	0	(5,407)
Food Service Operations	431,326	299,769	137,299	5,742
Uniform Supplies	71,317	68,925	0	(2,392)
Latchkey	48,729	3,260	0	(45,469)
Extracurricular activities	422,686	207,337	0	(215,349)
Debt service:				
Interest and fiscal charges	5,599	0	0	(5,599)
<b>Total Governmental Activities</b>	<b>\$ 13,496,793</b>	<b>\$ 766,777</b>	<b>\$ 515,289</b>	<b>(12,214,727)</b>
 <b>General Revenues</b>				
Property Taxes Levied for:				
General Purposes				5,051,898
Grants and Entitlements not Restricted to Specific Programs				6,122,808
Investment Earnings				27,105
Miscellaneous				117,129
Net Transfers				(728)
Total General Revenues				11,318,212
Change in Net Assets				(896,515)
Net Assets Beginning of Year				7,086,944
Net Assets End of Year				<u>\$ 6,190,429</u>

See accompanying notes to the basic financial statements.

**Wellington Exempted Village School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2004*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 2,176,334	\$ 467,764	\$ 2,644,098
Receivables:			
Taxes	4,083,239	0	4,083,239
Interfund	146,808	0	146,808
Intergovernmental	0	89,992	89,992
<i>Total Assets</i>	<u>\$ 6,406,381</u>	<u>\$ 557,756</u>	<u>\$ 6,964,137</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 39,135	\$ 15,662	\$ 54,797
Contracts Payable	21,700	0	21,700
Accrued Wages and Benefits	1,196,013	39,378	1,235,391
Interfund Payable	0	146,808	146,808
Intergovernmental Payable	203,491	6,786	210,277
Deferred Revenue	2,808,085	56,411	2,864,496
Claims Payable	334,243	0	334,243
<i>Total Liabilities</i>	4,602,667	265,045	4,867,712
<b>Fund Balances</b>			
Fund Balance:			
Reserved for Encumbrances	111,300	19,602	130,902
Reserved for Tax Revenue Unavailable for Appropriation	736,099	0	736,099
Reserved for Budget	36,125	0	36,125
Unreserved:			
Undesignated, Unreserved Reported in:			
General Fund	920,190	0	920,190
Special Revenue Funds	0	(2,649)	(2,649)
Debt Service Fund	0	31	31
Capital Projects Funds	0	275,727	275,727
<i>Total Fund Balances</i>	<u>1,803,714</u>	<u>292,711</u>	<u>2,096,425</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 6,406,381</u>	<u>\$ 557,756</u>	<u>\$ 6,964,137</u>

See accompanying notes to the basic financial statements.

**Wellington Exempted Village School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets Governmental Activities  
 June 30, 2004*

Total Governmental Fund Balances		\$ 2,096,425
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		4,529,376
Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds.		
Grants	56,411	
Delinquent Property Taxes	62,551	118,962
Long-term liabilities, are not due and payable in the current period and therefore, are not reported in the funds.		
Compensated Absences	(424,141)	
Intergovernmental Payable	(130,193)	(554,334)
 Net Assets of Governmental Activities		 \$ 6,190,429

**Wellington Exempted Village School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2004*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Taxes	\$ 5,049,088	\$ 0	\$ 5,049,088
Intergovernmental	6,085,408	975,482	7,060,890
Investment income	27,105	0	27,105
Tuition and fees	109,729	72,185	181,914
Extracurricular activities	0	285,091	285,091
Charges for services	0	299,769	299,769
Miscellaneous	62,600	54,529	117,129
<i>Total Revenues</i>	11,333,930	1,687,056	13,020,986
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	5,658,589	121,314	5,779,903
Special	726,974	334,561	1,061,535
Vocational	143,284	0	143,284
Other	320,927	0	320,927
Support services:			
Pupils	534,758	0	534,758
Instructional staff	429,070	79,778	508,848
Board of education	204,510	0	204,510
Administration	1,130,172	67,436	1,197,608
Fiscal	1,975	4,633	6,608
Business	328,248	0	328,248
Operation and maintenance of plant	1,336,010	3,984	1,339,994
Pupil transportation	657,340	8,342	665,682
Central	209,463	9,301	218,764
Operation of non-instructional services	926	4,481	5,407
Food Service Operations	0	470,814	470,814
Uniform Supplies	0	71,317	71,317
Latchkey	0	50,793	50,793
Extracurricular activities	214,271	198,438	412,709
Capital outlay	11,561	377,826	389,387
<i>Total Expenditures</i>	11,908,078	1,803,018	13,711,096
<i>Excess of Revenues Under Expenditures</i>	(574,148)	(115,962)	(690,110)
<b>Other Financing Sources (Uses):</b>			
Transfers in	14,056	14,577	28,633
Transfers out	(26,930)	(2,431)	(29,361)
<i>Total Financing Sources and (Uses)</i>	(12,874)	12,146	(728)
<i>Net Change in Fund Balance</i>	(587,022)	(103,816)	(690,838)
<i>Fund balance at beginning of year</i>	2,390,736	396,527	2,787,263
<i>Fund balance at end of year</i>	\$ 1,803,714	\$ 292,711	\$ 2,096,425

See accompanying notes to the basic financial statements.

**Wellington Exempted Village School District**  
*Reconciliation of the Changes*  
*in Fund Balances of Governmental Funds to the Statement of Activities*  
*For the Fiscal Year Ended June 30, 2004*

Net Change in Fund Balances - Total Governmental Funds	\$	(690,838)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Fixed Asset Additions	200,277	
Current Year Depreciation	<u>(185,391)</u>	14,886
 Net effect of transactions involving sale of capital assets are not reflected in the funds.		
		(26,810)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Grants	(422,793)	
Delinquent Property Taxes	<u>(5,905)</u>	(428,698)
 Repayment of capital lease is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Capital Leases		110,093
 Some expenses reported in the statement of net activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Contingency Payable	8,808	
Compensated Absences	126,041	
Early Retirement Incentive	18,187	
Pension Obligation	<u>(28,184)</u>	<u>124,852</u>
 Change in Net Assets of Governmental Activities	 \$	 <u>(896,515)</u>

**Wellington Exempted Village School District**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual*  
 General Fund  
 For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Taxes	\$ 4,594,827	\$ 4,700,748	\$ 4,700,748	\$ 0
Intergovernmental	5,952,047	6,089,254	6,089,254	0
Investment Income	26,494	27,018	27,105	87
Tuition and Fees	107,257	109,729	109,729	0
Miscellaneous	61,189	67,645	62,600	(5,045)
<i>Total Revenues</i>	<u>10,741,814</u>	<u>10,994,394</u>	<u>10,989,436</u>	<u>(4,958)</u>
<b>Expenditures:</b>				
<b>Current</b>				
Instruction	6,452,532	6,704,676	6,805,061	(100,385)
Support Services				
Pupils	472,896	485,859	498,160	(12,301)
Instructional Staff	415,120	437,342	438,592	(1,250)
Board of Education	171,045	179,888	179,888	0
Administration	1,063,395	1,111,545	1,122,177	(10,632)
Business	312,110	322,704	334,898	(12,194)
Operation and Maintenance of Plant	1,207,876	1,266,250	1,360,359	(94,109)
Pupil Transportation	606,484	647,999	665,042	(17,043)
Central	200,948	170,069	211,338	(41,269)
Operation of Non-Instructional Services	880	926	926	0
Extracurricular Activities	203,737	214,271	214,271	0
Capital Outlay	10,994	12,586	12,586	0
<i>Total Expenditures</i>	<u>11,118,017</u>	<u>11,554,115</u>	<u>11,843,298</u>	<u>(289,183)</u>
Excess of Revenues Under Expenditures	(376,203)	(559,721)	(853,862)	(294,141)
<b>Other Financing Sources (Uses):</b>				
Refund of Prior Year Receipts	0	6	6	0
Advances In	22,184	22,184	22,184	0
Advances Out	(144,523)	(144,523)	(144,523)	0
Operating Transfers In	14,056	14,056	14,056	0
Operating Transfers Out	(26,930)	(26,930)	(26,930)	0
<i>Total Other Financing Uses</i>	<u>(135,213)</u>	<u>(135,207)</u>	<u>(135,207)</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses</i>	(511,416)	(694,928)	(989,069)	(294,141)
<i>Fund Balance at Beginning of Year</i>	<u>3,014,970</u>	<u>3,014,970</u>	<u>3,014,970</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$ 2,503,554</u>	<u>\$ 2,320,042</u>	<u>\$ 2,025,901</u>	<u>\$ (294,141)</u>

See accompanying notes to the basic financial statements.

**Wellington Exempted Village School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Funds*  
*June 30, 2004*

	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 41,901
<i>Total Assets</i>	<u>\$ 41,901</u>
<b>Liabilities</b>	
Undistributed Monies	\$ 41,901
<i>Total Liabilities</i>	<u>\$ 41,901</u>

See accompanying notes to the basic financial statements.

## Wellington Exempted Village School District

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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### **Note 1 - Description of the School District**

The Wellington Exempted Village School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is an exempted village district as defined by Section 3311.04 of the Ohio Revised Code. The School District operates under a locally-elected five member board form of government and provides educational services as authorized and mandated by state and federal agencies. Average daily membership on, or as of, October 1, 2003, was 1,678. The School District employs 107 certificated and 72 non-certificated employees.

#### ***Reporting Entity***

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

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

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

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

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

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



**Wellington Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental type activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the School District's accounting policies are described below.

***A. Basis of Presentation***

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds

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

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

***B. Fund Accounting***

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

## Wellington Exempted Village School District

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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

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

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

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

### **C. Measurement Focus**

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

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

Fiduciary funds are reported using the economic resources measurement focus and are excluded from the Government-Wide Financial Statements.

### **D. Basis of Accounting**

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

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**Wellington Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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

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

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

**Deferred Revenue** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

***E. Cash and Cash Equivalents***

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

**Wellington Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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The School District also had invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2004. STAROhio is an investment pool managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price, which is the price the investment could be sold for on June 30, 2004.

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

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$27,105.

***F. Restricted Assets***

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

***G. Capital Assets***

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

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

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

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

**Wellington Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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***H. Interfund Balances***

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

***I. Compensated Absences***

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

Sick leave benefits are accrued as a liability using the termination method. The liability includes the employees who are eligible to receive termination benefits and those the School District had identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

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

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

***J. Accrued Liabilities and Long-term Obligations***

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

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

***K. Net Assets***

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

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

**Wellington Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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***L. Fund Balance Reserves***

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

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

***M. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are sales and charges for services. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund.

***N. Interfund Activity***

Transfers between governmental activities on the government-wide statements are eliminated. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

***O. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2004.

***P. Estimates***

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

***Q. Budgetary Data***

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. Throughout the fiscal year, the primary level of budgetary control was at the fund level. Budgetary modifications may only be made by resolution of the Board of Education.

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**Wellington Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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***Tax Budget*** Prior to January 15, the Superintendent and Treasurer submit to the Board a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Lorain County Budget Commission for rate determination.

***Estimated Resources*** The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the School District receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget ensuring that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2004.

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

The total of expenditures and encumbrances may not exceed appropriations at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriation in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

***Encumbrances*** As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On fund financial statements, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on government-wide financial statements.

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

**Wellington Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

**Note 3 - Change in Accounting Principle and Restatement of Fund Balances/Net Assets**

**Changes in Accounting Principles** For fiscal year 2004, the School District has implemented GASB Statement No. 34, “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments”, GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, GASB Statement No. 41, “Budgetary Comparison Schedules - Perspective Differences”, and GASB Interpretation No. 6 “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.”

GASB 34 creates new basic financial statements for reporting on the School District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting. In addition, an adjustment has been made to reflect the estimated historical cost based on an inventory valuation performed by Valuation Engineers, Inc..

**Restatement of Prior Year Fund Balance** It was determined that the revenues generated by the enterprise funds were not sufficient to cover the costs of the program. Additionally, there was no debt pledged nor were there any laws or regulations requiring costs to be recovered through fees and charges. Therefore, it was determined that special revenue fund type is a more appropriate classification. Accordingly, effective July 1, 2003, the entire enterprise fund type has been eliminated and reclassified to the special revenue fund type. These restatements had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	General	Nonmajor Funds	Activities Total
Fund Balances, June 30, 2003	\$ 2,901,099	\$ 415,732	\$ 3,316,831
Fund Reclassification	0	11,801	11,801
Restatement - Insurance Liability	(509,885)		(509,885)
Restated Fund Balances, June 30, 2003	<u>\$ 2,391,214</u>	<u>\$ 427,533</u>	<u>\$ 2,818,747</u>

GASB 34 Adjustments:

Capital Assets		4,510,294
Compensated Absences		(550,182)
Intergovernmental Payables		(102,009)
Early Retirement Incentives		(18,187)
Long-Term (Deferred) Assets		538,945
Capital Lease		(111,093)
Governmental Activities Net Assets, June 30, 2003		<u>\$ 7,086,515</u>

	Business-Type Activities
Net Assets, June 30, 2003	\$ (11,081)
Fund Reclassification	11,081
Adjusted Net Assets, June 30, 2003	<u>\$ 0</u>



**Wellington Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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**Note 4 - Fund Deficits**

Fund balances/net assets at June 30, 2004 included the following individual fund deficits:

	<u>Net Assets</u>	<u>Fund Balance</u>
Nonmajor Governmental Funds:		
Food Services	\$ 75,053	\$ 60,934
Latchkey	7,146	6,123
Title V	38	38
ADA Project Fund	85,968	85,968

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

**Note 5 - Budgetary Basis of Accounting**

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

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund.

**Net Change in Fund Balance**

GAAP Basis	<u>General</u> \$ (587,022)
Net Adjustment for Revenue Accruals	(322,304)
Net Adjustment for Expenditure Accruals	(230,178)
Adjustment for Encumbrances	150,435
Budget Basis	<u><u>\$ (989,069)</u></u>

**Wellington Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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**Note 6 - Deposits and Investments**

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

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

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

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

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

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

1. United States Treasury bills, notes, bonds, or any other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements for a period not to exceed 30 days in securities listed above that mature within five years from the date of settlement;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25 % of the interim moneys available for investment at any one time; and

**Wellington Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of custodial risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements."

*Deposits* - At fiscal year-end, the carrying amount of the School District's deposits was \$124,841 and the bank balance was \$314,701. Of the bank balance:

1. \$100,000 was covered by federal depository insurance.
2. \$214,701 was covered by collateral held by a qualified third party trustee not in the name of Wellington Exempted Village School District.

*Investments* – GASB Statement No. 3 requires the School District's investments to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents, and investments on the combined basic financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Government Entities That Use Proprietary Fund Accounting".

	Category 3	Carrying Value	Fair Value
Repurchase Agreement	\$ 698,018	\$ 698,018	\$ 698,018
STAROhio	0	1,863,140	1,863,140
	<u>\$ 698,018</u>	<u>\$ 2,561,158</u>	<u>\$ 2,561,158</u>

**Wellington Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications of deposits and investment presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement #9	\$ 2,685,999	\$ 0
Investments of the Cash Management Pool:		
Repurchase Agreements	(698,018)	698,018
STAROhio	<u>(1,863,140)</u>	<u>1,863,140</u>
GASB Statement #3	<u>\$ 124,841</u>	<u>\$ 2,561,158</u>

**Note 7 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at 35% of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at 35% of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at 25 % of true value for capital assets and 24 % of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Lorain and Huron Counties. The fiscal officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Wellington Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004, was \$736,099 in the General Fund.,

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2004 taxes were collected are:

	<u>Lorain County</u>	<u>Huron County</u>
The property valuation consisted of:		
Real Property - 2004		
Residential/Agricultural	\$ 124,731,900	\$ 4,813,680
Commerical/Industrial	22,674,150	80,830
Public Utilities	96,910	1,090
Tangible Personal Property - 2003		
General	18,172,300	12,410
Public Utilities	8,092,340	99,080
Total valuation	<u>\$ 173,767,600</u>	<u>\$ 5,007,090</u>

**Note 8 - Receivables**

Receivables at June 30, 2004, consisted of taxes, intergovernmental grants and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. The intergovernmental receivable at June 30, 2004 consisted of federal grants receivable of \$89,992.

**Wellington Exempted Village School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2004

**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Restated Balance 6/30/03	Additions	Reductions	Balance 6/30/04
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 1,430,520	\$ 0	\$ 0	\$ 1,430,520
 <i>Capital Assets, being depreciated:</i>				
Land Improvements	593,689	66,675	0	660,364
Buildings and Improvements	5,632,419	0	0	5,632,419
Furniture and Equipment	587,635	133,602	(78,804)	642,433
Vehicles	595,483	0	0	595,483
Library and Text Books	546,845	0	0	546,845
	7,956,071	200,277	(78,804)	8,077,544
Total Capital Assets, being depreciated				
 Less Accumulated Depreciation:				
Land Improvements	(307,488)	(19,306)	0	(326,794)
Buildings and Improvements	(3,511,736)	(87,985)	0	(3,599,721)
Furniture and Equipment	(443,223)	(39,343)	51,994	(430,572)
Vehicles	(35,999)	(38,757)	0	(74,756)
Library and Text Books	(546,845)	0	0	(546,845)
	(4,845,291)	(185,391)	51,994	(4,978,688)
Total Accumulated Depreciation				
	3,110,780	14,886	(26,810)	3,098,856
Total Capital Assets being depreciated, net				
	\$ 4,541,300	\$ 14,886	\$ (26,810)	\$ 4,529,376
Governmental Activities Capital Assets, Net				

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 115,018
Special	1,511
Vocational	294
Support Services:	
Pupil	316
Instructional Staff	1,482
Administration	7,666
Fiscal	1,026
Operation and Maintenance of Plant	549
Pupil Transportaion	38,757
Extracurricular Activities	13,552
Food Services	5,220
	185,391
Total Depreciation	\$ 185,391

**Wellington Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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**Note 10 - Risk Management**

***A. Property and Liability***

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

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

***B. Workers' Compensation***

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

***C. Employee Medical Benefits***

The School District has contracted with the Lake Erie Regional Council of Governments (LERC) to provide employee health and medical benefits. The LERC is a claims-servicing pool comprised of approximately eleven Lorain County school districts. Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow or individual account balance. Upon termination, the terminating school district would be liable for all outstanding claims beyond their individual balance. The LERC Board of Directors has the right to return monies to an existing district subsequent to the settlement of all expenses and claims.

This plan provides a medical/surgical plan with deductibles of \$50 for single and \$100 for family coverage. The LERC's pool premiums are billed to each participating school district based on actuarially determined rates. Should contributions prove to be insufficient to pay program costs of the insurance program in any given year, each participating member is notified of their deficiency and their premium is adjusted to cover its share of the additional cost of anticipated future claims.

**Wellington Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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The claim liability of \$ 334,243 reported at June 30, 2004 was estimated by LERC and is based on the requirements of Governmental Standards Board Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs related to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the balance of claims liability during the year ended June 30, 2004 are summarized below. Changes in the balance of claims liability during the year ended June 30, 2003 are not available. Incurred claims and claims payments are not segregated between current and prior year's claims due to the impracticability of obtaining such information.

Unpaid claims, beginning of year	\$	302,900
Incurred claims		1,655,139
Claims payments		<u>1,623,796</u>
	\$	<u>334,243</u>

**Note 11 - Pension Plans**

***A. School Employees Retirement System***

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

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$236,364, \$203,556, and \$183,480 respectively; 53% has been contributed for fiscal year 2004 and 100% for fiscal years 2003 and 2002.

***B. State Teachers Retirement System***

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member



**Wellington Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10% of their annual covered salaries. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$812,448, \$757,176, and \$681,396 respectively. Contributions to the DC and Combined Plans for fiscal year 2004 were \$5,554 made by the School District and \$18,338 made by the plan members. \$137,148 represents the unpaid contribution for fiscal year 2004, and is recorded as a liability within the respective funds, 82% has been contributed for fiscal year 2004 and 100% for fiscal years 2003 and 2002.

***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2004, all members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

**Note 12 - Postemployment Benefits**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate; currently 14% of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$58,032 during the 2004 fiscal year.

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**Wellington Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year, ended June 30, 2004, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$24,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$155,203.

The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS had approximately 62,000 participants currently receiving health care benefits.

**Note 13 - Other Employee Benefits**

***A. Life Insurance***

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

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

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

**Wellington Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

**B. Compensated Absences**

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

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

**Note 14 - Long - Term Obligations**

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

	Outstanding 6/30/2003	Additions	Reductions	Outstanding 6/30/2004	Due in One Year
<b>Governmental Activities:</b>					
Compensated Absences	\$ 550,182	\$ 424,141	\$ 550,182	\$ 424,141	\$ 7,798
Capital Lease	110,093	0	110,093	0	0
Early Retirement Incentive	18,187	0	18,187	0	0
Total Governmental Activities Long-Term Liabilities	<u>\$ 678,462</u>	<u>\$ 424,141</u>	<u>\$ 678,462</u>	<u>\$ 424,141</u>	<u>\$ 7,798</u>

**Note 15 - Deferred Revenue**

Deferred revenue consisted of the following:

	Statement of Net Assets	Balance Sheet
Property Taxes Receivable	\$ 2,745,534	\$ 2,808,085
Grants Receivable	0	56,411
	<u>\$ 2,745,534</u>	<u>\$ 2,864,496</u>

**Wellington Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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**Note 16 - Interfund Transactions**

The account balances by fund of “Interfund Receivable” and “Interfund Payable” as of June 30, 2004 are as follows:

Fund	Interfund Receivable	Interfund Payable
General fund	\$ 146,808	\$ 0
Other Governmental Funds	0	146,808
	<u>\$ 146,808</u>	<u>\$ 146,808</u>

Interfund receivables and payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2004, all interfund payables outstanding are anticipated to be repaid in fiscal year 2005.

The following is a summarized breakdown of the District’s operating transfers for fiscal year 2004:

Fund	Transfers In	Transfers Out
General Fund	\$ 14,056	\$ 26,930
Other Governmental Funds	14,577	2,431
Total Governmental Funds	<u>28,633</u>	<u>29,361</u>
Agency Fund	1,510	782
Total	<u>\$ 30,143</u>	<u>\$ 30,143</u>

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

**Note 17 - Jointly Governed Organizations**

**A. Lake Erie Educational Computer Association**

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization comprised of thirty school districts. The jointly governed organization was formed to provide data processing services for accounting, administrative and instructional functions of member districts. Each of the governments of these districts supports LEECA based upon a per pupil charge dependent upon the software packages utilized. The LEECA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. LEECA is governed by a board of directors chosen from the general membership of the LEECA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, which serves as fiscal agent, located at 1885 Lake Avenue, Elyria, Ohio 44035.

**Wellington Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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***B. Lake Erie Regional Council***

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

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

**Note 18 - Contingencies**

***A. Grants***

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at year end.

***B. School Funding***

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "the Ohio General Assembly to enact a school funding scheme that is thorough and efficient". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**Note 19 - Set-Asides**

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

**Wellington Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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

	Capital Improvement Reserve	Textbook Instructional Materials Reserve	Budget Stabilization
Set-Aside Cash Balance as of June 30, 2003	\$ 0	\$ 0	\$ 36,125
Set-Aside Carryover Balance as of June 30, 2003	0	(49,747)	
Current Year Set-Aside Requirement	216,539	216,539	0
Qualifying Disbursements	(266,961)	(229,058)	0
Total	<u>\$ (50,422)</u>	<u>\$ (62,266)</u>	<u>\$ 36,125</u>
Cash Balance Carried Forward FY2004	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 36,125</u>

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

**Note 20 - Commitment and Contingency**

As of June 30, 2004, the District had contractual purchase commitments as follows:

	Contractual Commitment	Expended	Balance 06/30/04
Fox Construction	\$ 96,025	\$ 0	\$ 96,025
Pumphrey Roofing	89,520	0	89,520
Butchko Electric	50,727	0	50,727

# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

January 21, 2005

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

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

We have audited the financial statements of the governmental activities and the aggregate remaining fund information of Wellington Exempted Village School District, as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated January 21, 2005, which included an explanatory paragraphing regarding the accounting change to GASB 34. We have conducted our audit in accordance with auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether Wellington Exempted Village School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted immaterial instances of non-compliance that we have reported to management of Wellington Exempted Village School District in a separate letter dated January 21, 2005.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Wellington Exempted Village School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design of operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Wellington Exempted Village School District in a separate letter dated January 21, 2005.

Wellington Exempted Village School District  
Report on Compliance

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

*Rea & Associates, Inc.*



# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

January 21, 2005

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

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

### **Compliance**

We have audited the compliance of Wellington Exempted Village School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. Wellington Exempted Village School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Wellington Exempted Village School District's management. Our responsibility is to express an opinion on Wellington Exempted Village School District's compliance based on our audit.

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

In our opinion, Wellington Exempted Village School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Wellington Exempted Village School District  
Report on Compliance

**Internal Control Over Compliance**

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted an immaterial instance of non-compliance that we have reported to management of Wellington Exempted Village School District in a separate letter dated January 21, 2005.

**Schedule of Expenditures of Federal Awards - Non GAAP Budgetary Basis**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wellington Exempted Village School District, as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 21, 2005, which included an explanatory paragraph regarding the accounting change to GASB 34. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements of Wellington Exempted Village School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

*Rea & Associates, Inc.*

**WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Program Amount	Federal Receipts	Federal Disbursements	Non-Cash Disbursements
<b>U. S. Department of Education</b>						
(Passed Through State Department of Education):						
Title 1	84.010	C1-S1-03	\$ 136,691	\$ (3,204)	\$ (225)	\$ 0
Title 1	84.010	C1-S1-04	152,871	<u>91,790</u>	<u>92,258</u>	<u>0</u>
<i>Total Title 1</i>				88,586	92,033	0
IDEA-B Grant	84.027	6B-SF-03P	143,217	117,438	106,857	0
IDEA-B Grant	84.027	6B-SF-04P	187,252	<u>81,906</u>	<u>168,737</u>	<u>0</u>
<i>Total Title VI-B</i>				199,344	275,594	0
Title VI	84.298	C2-S1-03	11,704	(1,221)	0	0
Title VI	84.298	C2-S1-04	16,612	<u>9,644</u>	<u>7,718</u>	<u>0</u>
<i>Total Title VI</i>				8,423	7,718	0
Drug Free Schools	84.186	DR-S1-04	6,678	3,501	4,885	0
Drug Free Schools	84.186	DR-S1-03	6,900	<u>0</u>	<u>3,309</u>	<u>0</u>
<i>Total Drug Free Schools</i>				3,501	8,194	0
Title II-D	84.318	TJ-S1-04	7,881	5,131	4,343	0
Title II-D	84.318	TJ-S1-03	3,830	<u>(689)</u>	<u>0</u>	<u>0</u>
<i>Total Title II - D</i>				4,442	4,343	0
Title II-A	84.367	TR-S1-04	67,765	17,349	51,323	0
Title II-A	84.367	TR-S1-03	58,560	<u>(6,496)</u>	<u>(97)</u>	<u>0</u>
<i>Total Title II - A</i>				10,853	51,226	0
OSFC, FERP ADA Project Grant	84.352A		415,815	<u>443,233</u>	<u>382,449</u>	<u>0</u>
<b>Total U.S. Department of Education</b>				<u>758,382</u>	<u>821,557</u>	<u>0</u>
<b>U.S. Department of Health &amp; Human Services</b>						
(Passed Through Ohio Department of MRDD):						
Medical Assistance Program/CAFS	93.778		15,232	<u>15,232</u>	<u>15,232</u>	<u>0</u>
<b>Total U.S. Department of Health &amp; Human Services</b>				<u>15,232</u>	<u>15,232</u>	<u>0</u>
<b>U. S. Department of Agriculture</b>						
(Passed Through State Department of Education):						
Nutrition Cluster:						
Food Distribution Program (A)	10.550			43,326	0	43,325
School Breakfast Program	10.553		17,682	17,682	17,682	0
National School Lunch Program (B)	10.555		113,255	<u>113,255</u>	<u>113,255</u>	<u>0</u>
<b>Total U.S. Department of Agriculture: Nutrition Cluster</b>				<u>174,263</u>	<u>130,937</u>	<u>43,325</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>				<u>\$ 947,877</u>	<u>\$ 967,726</u>	<u>\$ 43,325</u>

(A) Government commodities are reported at the fair market value of the commodities received and disbursed.

(B) Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.

**WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 , SECTION .505  
JUNE 30, 2004**

**1. SUMMARY OF AUDITOR'S RESULTS**

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non- compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list):	OSFC, FERP ADA Grant CFDA #84.352A
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

**2. FINDINGS RELATING TO THE FINANCIAL STATEMENTS**

None noted

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None noted



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Betty Montgomery**

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**WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT**

**LORAIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 12, 2005**