



**Auditor of State
Betty Montgomery**



Mary Taylor, CPA
Auditor of State

March 20, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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**WELLINGTON TOWNSHIP
LORAIN COUNTY**

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**Auditor of State
Betty Montgomery**

Wellington Township
Lorain County
115 Willard Memorial Square
Wellington, Ohio 44090

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Betty Montgomery
Auditor of State

December 1, 2006

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Wellington Township
Lorain County
115 Willard Memorial Square
Wellington, Ohio 44090

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wellington Township, Lorain County, (the Township), as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements. For the year ending December 31, 2004, we audited the Township's regulatory accounting basis financial statements. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 2, the Township has prepared the financial statements for the year ending December 31, 2004 using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Wellington Township, Lorain County, Ohio, as of December 31, 2004, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 2 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

For the year ended December 31, 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. As discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wellington Township, Lorain County, Ohio, as of December 31, 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General, Road and Bridge, and Gasoline Tax funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2006, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 1, 2006

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**WELLINGTON TOWNSHIP
LORAIN COUNTY**

Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Wellington Township

This discussion and analysis of Wellington Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2005, within the limitations of the Township's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2005 are as follows:

Net assets of governmental activities increased \$15,909 or 1.34 percent, a slight change from the prior year. Most funds had either a small increase or decrease; and total expenditures remained very stable in each fund.

The Township's general receipts are primarily property taxes. These receipts represent respectively \$149,285 and 35.55 percent of the total cash received for governmental activities during the year. Property tax receipts for 2005 changed very little compared to 2004 as development within the Township has slowed.

Planning for a proposed Community Center started in March 2006. Money received from Inheritance tax plus interest earned since 2001 has been designated for the construction of the proposed Community Center.

Using the Basic Financial Statements

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

Report Components

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

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

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

**WELLINGTON TOWNSHIP
LORAIN COUNTY**

Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Basis of Accounting

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

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

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

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

In the statement of net assets and the statement of activities, the Township's activities are classified as governmental. The Township's basic services are reported here, including fire, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**WELLINGTON TOWNSHIP
LORAIN COUNTY**

Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Reporting the Township's Most Significant Funds

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

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

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Township's programs.

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2005 on a modified cash basis:

(Table 1)

Net Assets

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Assets		
Cash, Cash Equivalents, and Investments	\$1,201,117	\$1,185,208
Total Assets	<u>\$1,201,117</u>	<u>\$1,185,208</u>
Net Assets		
Restricted for:		
Debt Service	550,631	582,721
Other Purposes	143,919	136,247
Unrestricted	<u>506,567</u>	<u>466,240</u>
Total Net Assets	<u>\$1,201,117</u>	<u>\$1,185,208</u>

**WELLINGTON TOWNSHIP
LORAIN COUNTY**

Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

As mentioned previously, net assets of governmental activities increased \$ 15,909 or 1.34 percent during 2005. The primary reason contributing to the increases in cash balances is as follows:

- Continuation of receipt of Inheritance Tax money which is designated to be used for the construction of a proposed Community Center.

Table 2 reflects the changes in net assets in 2005. Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 2)
Changes in Net Assets

	Governmental Activities 2005
Receipts:	
General Receipts:	
Property and Other Local Taxes	\$149,285
Grants and Entitlements Not Restricted to Specific Programs	118,078
Interest	22,061
Miscellaneous	1,123
Total General Receipts	290,547
Total Program Revenues	129,341
Total Receipts	419,888
Disbursements:	
General Government	86,440
Public Works	180,448
Health	6,950
Capital Outlay	94,691
Principal Retirement	33,360
Interest and Fiscal Charges	2,090
Total Disbursements	403,979
Increase (Decrease) in Net Assets	15,909
Net Assets, January 1, 2004	1,185,208
Net Assets, December 31, 2004	\$1,201,117

**WELLINGTON TOWNSHIP
LORAIN COUNTY**

Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2005	Net Cost of Services 2005
General Government	\$86,440	(\$86,440)
Public Safety	-	2,885
Public Health Services	6,950	(4,667)
Public Works	180,448	(86,195)
Capital Outlay	94,691	(62,488)
Principal Retirement	33,360	(33,360)
Interest and Fiscal Charges	2,090	(2,090)
Total Disbursements	<u>\$403,979</u>	<u>(\$272,355)</u>

The Township's Funds

Total governmental funds had receipts of \$419,888 and disbursements of \$403,979. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$40,328 as the result of inheritance tax receipts and interest earned which are designated for the construction of a proposed Community Center.

General Fund receipts were more than disbursements by \$40,328 indicating that the General Fund is in a fairly stable situation.

General Fund Budgeting Highlights

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

During 2005, the Township amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts. The budgeted receipts are normally estimated on the low side. The difference between final budgeted receipts and actual receipts was not significant.

**WELLINGTON TOWNSHIP
LORAIN COUNTY**

Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Final disbursements were budgeted at \$573,251 while actual disbursements were \$82,820. The final budgeted disbursements included \$425,000 for the Community Center, \$14,000 for the truck replacement account and \$8,000 for the mower replacement account. The Board of Trustees have established a truck replacement account to add \$7,000 each year for ten years, a roadside mower replacement account to add \$4,000 each year for seven years and a Community Center account to add inheritance tax receipts and interest each year.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2005, the Township's outstanding debt included \$13,440 in an Ohio Public Works project interest free program.

Current Issues

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. We have established a basic stable spending pattern due to a lack of increased funding through property taxes.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Bernie Nirode, Chief Fiscal Officer, Wellington Township, 44627 State Route 18, Wellington, OH 44090.

WELLINGTON TOWNSHIP, LORAIN COUNTY

Statement of Net Assets - Modified Cash Basis

December 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$966,117
Investments	235,000
<i>Total Assets</i>	<u><u>\$1,201,117</u></u>
Net Assets	
Restricted for:	
Debt Service	\$550,631
Other Purposes	143,919
Unrestricted	506,567
<i>Total Net Assets</i>	<u><u>\$1,201,117</u></u>

See accompanying notes to the basic financial statements

WELLINGTON TOWNSHIP, LORAIN COUNTY
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2005

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants Interest and Contributions		Capital Grants and Contributions
Governmental Activities					
General Government	\$86,440	\$0	\$0	\$0	(\$86,440)
Public Safety	0	2,885	0	0	2,885
Public Works	180,448	0	94,253	0	(86,195)
Health	6,950	0	0	0	(4,667)
Capital Outlay	94,691	0	0	32,203	(62,488)
Debt Service:					
Principal	33,360	0	0	0	(33,360)
Interest	2,090	0	0	0	(2,090)
<i>Total Governmental Activities</i>	<u>403,979</u>	<u>2,885</u>	<u>94,253</u>	<u>32,203</u>	<u>(272,355)</u>
<i>Total Primary Government</i>	<u>\$403,979</u>	<u>\$2,885</u>	<u>\$94,253</u>	<u>\$32,203</u>	<u>(\$272,355)</u>
General Receipts					
Property Taxes					\$149,285
Grants and Entitlements not Restricted to Specific Programs					118,078
Earnings on Investments					22,061
Miscellaneous					1,123
<i>Total General Receipts</i>					<u>290,547</u>
Change in Net Assets					15,909
<i>Net Assets Beginning of Year</i>					<u>1,185,208</u>
<i>Net Assets End of Year</i>					<u>\$1,201,117</u>

See accompanying notes to the basic financial statements

WELLINGTON TOWNSHIP, LORAIN COUNTY
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	GENERAL	GASOLINE TAX	ROAD AND BRIDGE	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets						
Equity in Pooled Cash and Cash Equivalents	\$506,568	\$83,938	\$13,240	\$550,631	\$46,740	\$1,201,117
<i>Total Assets</i>	<u>\$506,568</u>	<u>\$83,938</u>	<u>\$13,240</u>	<u>\$550,631</u>	<u>\$46,740</u>	<u>\$1,201,117</u>
Fund Balances						
Reserved:						
Reserved for Encumbrances	\$343	\$0	\$110	\$0	\$1,598	\$2,051
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	506,225	0	0	0	0	506,224
Special Revenue Funds	0	83,938	13,130	0	45,142	142,211
Debt Service Fund	0	0	0	550,631	0	550,631
<i>Total Fund Balances</i>	<u>\$506,568</u>	<u>\$83,938</u>	<u>\$13,240</u>	<u>\$550,631</u>	<u>\$46,740</u>	<u>\$1,201,117</u>

See accompanying notes to the basic financial statements

WELLINGTON TOWNSHIP, LORAIN COUNTY

Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances

Governmental Funds

For the Year Ended December 31, 2005

	GENERAL	GASOLINE TAX	ROAD AND BRIDGE	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
Receipts						
Property and Other Local Taxes	\$45,760	\$0	\$70,735	\$0	\$32,790	\$149,285
Licenses, Permits and Fees	2,885	0	0	0	0	2,885
Intergovernmental	51,933	76,688	8,849	0	107,064	244,534
Earnings on Investments	21,103	510	0	0	448	22,061
Miscellaneous	1,123	0	0	0	0	1,123
Total Receipts	122,804	77,198	79,584	0	140,302	419,888
Disbursements						
Current:						
General Government	49,801	0	0	0	36,639	86,440
Public Works	3,859	67,276	83,507	0	25,806	180,448
Health	6,950	0	0	0	0	6,950
Capital Outlay	21,866	0	0	0	72,825	94,691
Debt Service:						
Principal Retirement	0	3,360	0	30,000	0	33,360
Interest and Fiscal Charges	0	0	0	2,090	0	2,090
Total Disbursements	82,476	70,636	83,507	32,090	135,270	403,979
Excess of Receipts Over (Under) Disbursements	40,328	6,562	(3,923)	(32,090)	5,032	15,909
Net Change in Fund Balances	40,328	6,562	(3,923)	(32,090)	5,032	15,909
Fund Balances Beginning of Year	466,240	77,376	17,163	582,721	41,708	1,185,208
Fund Balances End of Year	\$506,568	\$83,938	\$13,240	\$550,631	\$46,740	\$1,201,117

See accompanying notes to the basic financial statements

WELLINGTON TOWNSHIP, LORAIN COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$39,378	\$23,573	\$30,542	\$6,969
Licenses, Permits and Fees	1,500	1,500	2,885	1,385
Intergovernmental	70,710	69,698	67,151	(2,547)
Earnings on Investments	12,500	12,500	21,103	8,603
Miscellaneous	750	750	1,123	373
<i>Total receipts</i>	<u>124,838</u>	<u>108,021</u>	<u>122,804</u>	<u>14,783</u>
Disbursements				
Current:				
General Government	104,908	104,908	50,145	54,763
Public Works	6,578	6,578	3,859	2,719
Health	29,582	12,765	6,950	5,815
Capital Outlay	449,000	449,000	21,865	427,135
<i>Total Disbursements</i>	<u>590,068</u>	<u>573,251</u>	<u>82,819</u>	<u>490,432</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(465,230)</u>	<u>(465,230)</u>	<u>39,985</u>	<u>505,215</u>
Other Financing Sources (Uses)				
Transfers Out	(1,000)	(1,000)	0	1,000
<i>Total Other Financing Sources (Uses)</i>	<u>(1,000)</u>	<u>(1,000)</u>	<u>0</u>	<u>1,000</u>
<i>Net Change in Fund Balance</i>	(466,230)	(466,230)	39,985	506,215
<i>Fund Balance Beginning of Year</i>	466,302	466,302	466,302	0
<i>Fund Balance End of Year</i>	<u>\$72</u>	<u>\$72</u>	<u>\$506,287</u>	<u>\$506,215</u>

See accompanying notes to the basic financial statements

WELLINGTON TOWNSHIP, LORAIN COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Gasoline Tax Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$46,000	\$46,000	\$76,688	\$30,688
Earnings on Investments	100	100	510	410
<i>Total receipts</i>	<u>46,100</u>	<u>46,100</u>	<u>77,198</u>	<u>31,098</u>
Disbursements				
Current:				
Public Works	100,857	108,806	67,276	41,530
Debt Service:				
Principal Retirement	0	3,360	3,360	0
<i>Total Disbursements</i>	<u>100,857</u>	<u>112,166</u>	<u>70,636</u>	<u>41,530</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(54,757)</u>	<u>(66,066)</u>	<u>6,562</u>	<u>72,628</u>
<i>Net Change in Fund Balance</i>	<u>(54,757)</u>	<u>(66,066)</u>	<u>6,562</u>	<u>72,628</u>
<i>Fund Balance Beginning of Year</i>	66,066	66,066	66,066	0
Prior Year Encumbrances Appropriated	<u>11,310</u>	<u>11,310</u>	<u>11,310</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$22,619</u>	<u>\$11,310</u>	<u>\$83,938</u>	<u>\$72,628</u>

See accompanying notes to the basic financial statements

WELLINGTON TOWNSHIP, LORAIN COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$75,851	\$75,851	\$70,735	(\$5,116)
Intergovernmental	0	0	8,849	8,849
<i>Total receipts</i>	<u>75,851</u>	<u>75,851</u>	<u>79,584</u>	<u>3,733</u>
Disbursements				
Current:				
Public Works	93,014	93,014	83,616	9,398
<i>Total Disbursements</i>	<u>93,014</u>	<u>93,014</u>	<u>83,616</u>	<u>9,398</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(17,163)</u>	<u>(17,163)</u>	<u>(4,032)</u>	<u>13,131</u>
<i>Net Change in Fund Balance</i>	(17,163)	(17,163)	(4,032)	13,131
<i>Fund Balance Beginning of Year</i>	<u>17,163</u>	<u>17,163</u>	<u>17,163</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$13,131</u>	<u>\$13,131</u>

See accompanying notes to the basic financial statements

**WELLINGTON TOWNSHIP, LORAIN COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$44,241	\$98,489	\$0	\$0	\$142,730
Intergovernmental	75,001	121,805	0	60,252	257,058
Licenses, Permits, and Fees	4,482	0	0	0	4,482
Earnings on Investments	19,804	253	0	0	20,057
Other Revenue	3,255	0	0	0	3,255
Total Cash Receipts	<u>146,783</u>	<u>220,547</u>	<u>0</u>	<u>60,252</u>	<u>427,582</u>
Cash Disbursements:					
Current:					
General Government	59,391	36,156	0	0	95,547
Public Works	2,971	154,656	0	0	157,627
Health	21,744	0	0	0	21,744
Debt Service:					
Redemption of Principal	0	0	30,000	0	30,000
Interest and Fiscal Charges	0	0	5,475	0	5,475
Capital Outlay	4,995	0	0	77,053	82,048
Total Cash Disbursements	<u>89,101</u>	<u>190,812</u>	<u>35,475</u>	<u>77,053</u>	<u>392,441</u>
Total Receipts Over/(Under) Disbursements	<u>57,682</u>	<u>29,735</u>	<u>(35,475)</u>	<u>(16,801)</u>	<u>35,141</u>
Other Financing Receipts and (Disbursements):					
Proceeds from Sale of Public Debt:					
Ohio Public Works Commission Loan				16,801	16,801
Other Sources	12,000	0	0	0	12,000
Other Uses	(12,000)	0	0	0	(12,000)
Total Other Financing Receipts/(Disbursements)	<u>0</u>	<u>0</u>	<u>0</u>	<u>16,801</u>	<u>16,801</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	57,682	29,735	(35,475)	0	51,942
Fund Cash Balances, January 1	408,558	106,512	618,196	0	1,133,266
Fund Cash Balances, December 31	<u>\$466,240</u>	<u>\$136,247</u>	<u>\$582,721</u>	<u>\$0</u>	<u>\$1,185,208</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$12,908</u>	<u>\$0</u>	<u>\$0</u>	<u>\$12,908</u>

The notes to the financial statements are an integral part of this statement.

NOTE 1 – REPORTING ENTITY

The Wellington Township, Lorain County, Ohio (the Township), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

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

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, fire protection and emergency medical services. The Township's police protection is provided by the Lorain County Sheriff, and the Township is a member of the Wellington Community Fire District which provides fire services and the South Lorain County Ambulance District which provides ambulance services.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township.

There are no component units affiliated with the Township.

C. Public Entity Risk Pools, Jointly Governed and Related Organizations

The Township participates in one public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is the Ohio Township Association Risk Management Authority.

The Township also participates in the following jointly governed organizations: the South Lorain County Ambulance District; the Wellington Union Cemetery District; the Wellington Community Fire District; the South Lorain County Historical Society; the Herrick Memorial Library; Rural Lorain County Water Authority; and Lorain County Rural Wastewater District. One Township Trustee serves on the Board for the South Lorain County Ambulance District, Wellington Union Cemetery District, and Wellington Community Fire District. The Township Trustees appoint a board member to the following related organizations: South Lorain County Historical Society, Herrick Memorial Library, Rural Lorain County Water Authority, and Lorain County Rural Wastewater District. Note 11 to the financial statements provides additional information for these entities.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's 2005 basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

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

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township 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.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. All funds of the Township are classified as governmental funds.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

Governmental Funds

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

General Fund – This fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Gasoline Tax Fund – This fund receives gasoline tax and motor vehicle tax money for construction, maintaining and repairing Township roads.

Road and Bridge Fund – This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

Debt Service Fund – The Debt Service Fund is used to accumulate resources for the payment of Township debt and Library bonds.

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

C. Basis of Accounting

For the year ending December 31, 2004, the Township's financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

For the fiscal year ended December 31, 2005, the Township's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

D. Budgetary Process

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund and program level for all funds.

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

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

E. Cash and Investments

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

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2005 and 2004, the Township invested in nonnegotiable certificates of deposit, a money market fund, and repurchase agreements.

Interest earnings are allocated to Township funds according to State statutes. Interest receipts credited to the General Fund during 2005 was \$21,103 which includes \$11,799 assigned from other Township funds. Interest receipts credited to the General Fund during 2004 was \$19,804 which includes \$11,914 assigned from other Township funds.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

G. Inventory and Prepaid Items

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets

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

I. Interfund Receivables/Payables

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

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

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

L. Long-Term Obligations

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

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for road maintenance and debt service.

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

The amount of net assets restricted by enabling legislation as of December 31, 2005 is \$694,220.

N. Fund Balance Reserves

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

Wellington Township – Lorain County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Interfund Transactions

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

NOTE 3 – CHANGE IN BASIS OF ACCOUNTING AND ACCOUNTING PRINCIPLES

For fiscal year ending December 31, 2004, the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor’s Office. For fiscal year ending December 31, 2005, the Township has implemented the modified cash basis of accounting described in Note 2, which revised the Township’s financial presentation to be comparable to the requirements of Governmental Accounting Standard Board (GASB) Statement No. 34, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments.” The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

For 2004, the Township implemented GASB Statement No. 40, “Deposits and Investment Risk Disclosures.” This statement establishes new disclosure requirements for risks associated with deposits and investments.

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. For fiscal year ending December 31, 2005, the Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Gasoline Tax Fund, and Road and Bridge Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$343 for the General Fund and \$109 for the Road and Bridge Fund.

For the fiscal year ending December 31, 2004, the Township reported the following budgetary activity regarding budgeted receipts and appropriations.

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$126,153	\$158,783	\$32,630
Special Revenue	178,843	220,547	41,704
Debt Service	0	0	0
Capital Projects	49,740	77,053	27,313
Total	\$354,736	\$456,383	\$101,647

Wellington Township – Lorain County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING (Continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$532,197	\$101,101	\$431,096
Special Revenue	279,929	203,720	76,209
Debt Service	618,197	35,475	582,722
Capital Projects	49,740	77,053	(27,313)
Total	\$1,480,063	\$417,349	\$1,062,714

Contrary to Ohio Revised Code Section 5705.41(B), the Township had budgetary expenditures in excess of appropriation authority in the Ohio Public Works Capital Projects Fund as of December 31, 2005 and December 31, 2004 in the amounts of \$22,553 and \$27,313, respectively.

NOTE 5 – DEPOSITS AND INVESTMENTS

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

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township 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 Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

Wellington Township – Lorain County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Protection of the Township's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Township by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. 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 Township, 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 Township or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end 2005, the carrying amount of the Township's deposits was \$966,117 and the bank balance was \$971,211. Of the bank balance, \$652,767 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name. At fiscal year end 2004, the carrying amount of the Township's deposits was \$975,556 and the bank balance was \$992,674. Of the bank balance, \$330,900 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

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

Investments

As of December 31, 2005 and December 31, 2004, the Township had the following investments:

	<u>Carrying Value</u>	<u>Maturity</u>
December 31, 2005		
FirstMerit Bank Repurchase Agreement	\$ <u>235,000</u>	Daily
December 31, 2004		
FirstMerit Bank Repurchase Agreement	\$ <u>209,652</u>	Daily

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

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

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The repurchase agreements, represented by U.S. Treasury Bills, are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Township's name. The Township has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

NOTE 6 – PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Real property tax receipts received in 2004 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 and 2004 represent the collection of 2004 and 2003 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2004, and are collected with real property taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2003, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 and 2004 (other than public utility property) represent the collection of 2005 and 2004 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property taxes received in 2004 were levied after October 1, 2003, on the true value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

Wellington Township – Lorain County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004

NOTE 6 – PROPERTY TAXES (Continued)

The full tax rate for all Township operations for the year ended December 31, 2005 and 2004, was \$6.70 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 and 2004 property tax receipts were based are as follows:

Real Property	2005	2004
Residential & Agriculture	\$28,132,430	\$27,346,790
Mobile Home	40,940	40,940
Commercial/Industrial/Mineral	3,807,500	3,247,920
Public Utility Property		
Personal	3,181,000	3,188,220
Tangible Personal Property	<u>2,763,634</u>	<u>2,810,480</u>
Total Assessed Value	<u>\$37,925,504</u>	<u>\$36,634,350</u>

NOTE 7 – RISK MANAGEMENT

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

Wellington Township – Lorain County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004

NOTE 7 – RISK MANAGEMENT (Continued)

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004.

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	<u>(12,344,576)</u>	<u>(11,086,379)</u>
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>
<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	<u>(1,406,031)</u>	<u>(543,176)</u>
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

At December 31, 2005 and December 31, 2004, respectively, casualty coverage liabilities noted above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately \$20,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

Wellington Township – Lorain County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004

NOTE 7 – RISK MANAGEMENT (Continued)

<u>Township Contributions to OTARMA</u>	
2003	\$10,347
2004	\$10,382
2005	\$10,232

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

NOTE 8- DEFINED BENEFIT PENSION PLAN

A. Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

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

For the year ended December 31, 2005 and December 31, 2004, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2005 and 2004 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$19,348, \$17,018, and \$16,538 respectively. The full amount has been contributed for 2005, 2004 and 2003.

B. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the Ohio Public Employees Retirement System are covered by Social Security. The Township's liability is 6.2 percent of wages paid.

Wellington Township – Lorain County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004

NOTE 9 – POSTEMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 and 2004 which were used to fund postemployment benefits were \$8,104 and \$7,128, respectively. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2005, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

NOTE 10 – DEBT

The Township's long-term debt activity for the year ended December 31, 2005, was as follows:

	Interest Rate	Balance January 1, 2005	Additions	Reductions	Balance December 31, 2005	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds						
1985 Issue (Original Amount \$650,000)	5%	\$30,000	\$0	\$30,000	\$0	\$0
OPWC Loan (Original Amount \$16,801)	0%	<u>16,800</u>	<u>0</u>	<u>3,360</u>	<u>13,440</u>	<u>3,360</u>
Total		<u>\$46,800</u>	<u>\$0</u>	<u>\$33,360</u>	<u>\$13,440</u>	<u>\$3,360</u>

Wellington Township – Lorain County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and December 31, 2004

NOTE 10 – DEBT (Continued)

The Township's long-term debt activity for the year ended December 31, 2004, was as follows:

	Interest Rate	Balance January 1, 2004	Additions	Reductions	Balance December 31, 2004	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds						
1985 Issue (Original Amount \$650,000)	5%	\$60,000	\$0	\$30,000	\$30,000	\$30,000
OPWC Loan	0%	<u>0</u>	<u>16,800</u>	<u>0</u>	<u>16,800</u>	<u>1,680</u>
Total		<u>\$60,000</u>	<u>\$16,800</u>	<u>\$30,000</u>	<u>\$46,800</u>	<u>\$31,680</u>

The Township is the taxing authority for the Herrick Memorial Library and must issue all debt on behalf of the Library. The general obligation bonds are for the Library Improvement Issues and are paid from property tax receipts.

In 2004, the Township received a zero percent, five-year loan in the amount of \$16,801 from the Ohio Public Works Commission for the repair/replacement of the Pitts Road culverts. Principal payments were made in 2005 from the Gasoline Tax fund.

A summary of the Township's future debt requirements follows:

Years Ending	OPWC Principal
December 31, 2006	\$3,360
December 31, 2007	3,360
December 31, 2008	3,360
December 31, 2009	<u>3,360</u>
Total	<u>\$13,440</u>

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2004, were an overall debt margin of \$ 3,982,178 and an unvoted debt margin of \$ 2,085,903.

NOTE 11 – JOINTLY GOVERNED ORGANIZATIONS

SOUTH LORAIN COUNTY AMBULANCE DISTRICT

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

WELLINGTON COMMUNITY FIRE DISTRICT

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

NOTE 11 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

WELLINGTON UNION CEMETERY DISTRICT

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

SOUTH LORAIN COUNTY HISTORICAL SOCIETY

The Historical Society is organized pursuant to Ohio Rev. Code Section 307.23 and is directed by an appointed Board of Directors. The Historical Society operates the Spirit of '76 Museum which is located in the Village of Wellington.

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Auditor of State Betty Montgomery

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

Wellington Township
Lorain County
115 Willard Memorial Square
Wellington, Ohio 44090

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wellington Township, Lorain County, Ohio (the Township), as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements and we have audited the regulatory accounting basis financial statements of the Township as of and for the year ended December 31, 2004, and have issued our report thereon dated December 1, 2006, wherein we noted for fiscal year ended December 31, 2005, the Township revised its financial statement presentation comparable to the requirements of Governmental Accounting Standards Board statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. We also noted for fiscal year ended December 31, 2004, the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated December 1, 2006, we reported matters involving internal control over financial reporting we did not deem a reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Township's management dated December 1, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and the Board of Trustees. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

December 1, 2006



Mary Taylor, CPA
Auditor of State

WELLINGTON TOWNSHIP

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 27, 2007**