

***WELLINGTON EXEMPTED VILLAGE
SCHOOL DISTRICT***

LORAIN COUNTY

AUDIT REPORT

For the Year Ended June 30, 2010

Charles E. Harris & Associates, Inc.
Certified Public Accountants and Government Consultants



Dave Yost • Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Wellington Exempted Village School District, Lorain County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2009 through June 30, 2010. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 18, 2011

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WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY
AUDIT REPORT
For the Year Ended June 30, 2010

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REPORT OF INDEPENDENT ACCOUNTANTS

Wellington Exempted Village School District
Lorain County
201 South Main Street
Wellington, OH 44090

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wellington Exempted Village School District, Lorain County, Ohio, (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express 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 *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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Wellington Exempted Village School District, Lorain County, Ohio, as of June 30, 2010, and the respective changes in financial position and the budgetary comparison for the General Fund and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The 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, which consisted principally on 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2010 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wellington Exempted Village School District's basic financial statements. The accompanying schedule of federal awards expenditures is presented for the purpose of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. 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.

Charles E. Harris & Associates, Inc.
December 22, 2010

Wellington Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year June 30, 2010

Unaudited

It is a privilege to present to you the financial picture of Wellington Exempted Village School District. The discussion and analysis of Wellington Exempted Village School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the 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 2010 are as follows:

- In total, net assets of governmental activities increased \$162,179, which represents a 1.9% increase from 2009. Further analysis of this increase may be found on page five.
- Revenues for governmental activities totaled \$13,712,983 in 2010. Of this total, \$11,406,369 or 83.2% consisted of general revenues while program revenues accounted for the balance of \$2,306,614 or 16.8%.
- The School District had \$13,550,804 in expenses related to governmental activities; only \$2,306,614 of these expenses was offset by program specific charges for services and operating grants and contributions. General revenues (primarily taxes and school foundation) of \$11,406,369 were adequate for these programs.
- Program expenses totaled \$13,550,804. Instructional expenses made up \$7,908,789 or 58.4% of this total while support services accounted for \$4,714,176 or 34.8%. Other expenses, \$927,839 rounded out the remaining 6.9%.
- Unrestricted net assets carried a balance of \$2,915,177, a decrease of \$23,301 from the prior year's balance of \$2,941,478. This component of net assets is primarily related to the activity of the general fund.
- Total assets of governmental activities decreased \$11,680 which represents a 0.1% decrease from 2009.

Using this Annual Financial Report

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

Wellington Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year June 30, 2010

Unaudited

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

The analysis of the School District as a whole begins on page five. While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the questions, "Are we in a better financial position this year than last?" and "Why?" or "Why not?". The *Statement of Net Assets* and the *Statement of Activities* assist in answering these questions. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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 readers 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 restricting revenue growth, facility conditions, required educational programs and other factors.

In the *Statement of Net Assets* and the *Statement of Activities*, the School Districts' activities are considered to be all governmental activities. All of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major fund begins on page 10. Fund financial reports provide detailed information about the School District's major fund. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and building improvement fund.

Wellington Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year June 30, 2010

Unaudited

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 fiscal 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.

The School District as a Whole

You may recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2010 compared to 2009:

	<u>2010</u>	<u>2009</u>
Assets		
Current and other assets	\$ 10,311,607	\$ 10,227,880
Capital assets, net of depreciation	<u>4,249,673</u>	<u>4,345,080</u>
Total assets	<u>14,561,280</u>	<u>14,572,960</u>
Liabilities		
Other liabilities	4,972,774	5,113,634
Long-term liabilities:		
Due within one year	300,333	42,755
Due in more than one year	<u>726,371</u>	<u>1,016,948</u>
Total liabilities	<u>5,999,478</u>	<u>6,173,337</u>
Net Assets		
Invested in capital assets	4,249,673	4,345,080
Restricted	1,396,952	1,113,065
Unrestricted	<u>2,915,177</u>	<u>2,941,478</u>
Total net assets	<u>\$ 8,561,802</u>	<u>\$ 8,399,623</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the School District's assets exceeded liabilities by \$8,561,802.

Wellington Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year June 30, 2010

Unaudited

Capital assets, reported on the government-wide statements represent a large component of net assets. Capital assets include land and land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress which are used to provide services to students and are not available for future spending.

A portion of the School District's net assets, \$1,396,952, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted net assets, \$1,185,250 is restricted for capital projects, \$31 is restricted for debt service and \$211,671 is restricted for other purposes. Restricted for other purposes primarily include amounts generated by individual school buildings to supplement co-curricular and extra-curricular programs, and for resources restricted for the operation of the School District's recreation center.

The vast majority of revenues supporting governmental activities were general revenues. General revenue totaled \$11,406,369 or 83.2% of total revenue. The most significant portion of the general revenue is property taxes which is 25.8% of total revenue and intergovernmental grants and entitlements revenue (consisting of state foundation, homestead and rollback, and personal property tax exemption) which is 45.8% of total revenue. Income taxes accounted for 11.4% of total revenue. Investment earnings and miscellaneous revenue account for 0.1% of total revenue. The remaining amount of revenue received was in the form of program revenues, which equated \$2,306,614 or only 16.8% of total revenue.

Wellington Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year June 30, 2010

Unaudited

Table 2 shows the changes in net assets for fiscal years 2010 and 2009.

Table 2
Governmental Activities

	<u>2010</u>	<u>2009</u>
Program Revenues		
Charges for services	\$ 986,940	\$ 887,380
Operating grants and contributions	<u>1,319,674</u>	<u>1,000,732</u>
Total program revenues	<u>2,306,614</u>	<u>1,888,112</u>
General Revenues		
Property taxes	3,535,362	3,744,216
Income taxes	1,561,541	1,683,885
Grants and entitlements	6,285,971	6,669,798
Payments in lieu taxes	8,823	-
Investment earnings	2,577	53,651
Miscellaneous	<u>12,095</u>	<u>105,880</u>
Total general revenues	<u>11,406,369</u>	<u>12,257,430</u>
Total revenues	<u>13,712,983</u>	<u>14,145,542</u>
Program Expenses		
Instruction:		
Regular	6,391,711	6,486,025
Special	1,426,335	1,324,068
Vocational	90,672	92,111
Adult/continuing	71	-
Support services:		
Pupils	466,917	524,749
Instructional staff	795,886	703,876
Board of education	24,305	70,836
Administration	1,201,050	1,182,285
Fiscal	351,465	394,787
Operation and maintenance of plant	1,019,447	1,123,689
Pupil transportation	746,270	716,930
Central	108,836	138,826
Operation non-instructional services	497,297	593,047
Extracurricular activities	<u>430,542</u>	<u>464,915</u>
Total Program Expenses	<u>13,550,804</u>	<u>13,816,144</u>
Change in net assets	162,179	329,398
Net assets beginning of year	<u>8,399,623</u>	<u>8,070,225</u>
Net Assets End of Year	<u>\$ 8,561,802</u>	<u>\$ 8,399,623</u>

Expenses decreased \$265,340 or 1.9% in 2010 as compared to 2009. This increase was not due to any one item. During the same period, revenues decreased by \$432,559 or 3.1%. This decrease was mainly due to the loss of the Tangible Personal Property (TPP) Tax.

Wellington Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year June 30, 2010

Unaudited

Governmental Activities -The School District has carefully planned its financial existence by forecasting its revenues and expenditures over the next five years. The School District's revenue growth is mostly dependent upon property tax increases. Property taxes made up 25.8% of revenues for governmental activities for the School District in fiscal year 2010. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating cost.

Instruction comprises 58.4% of governmental program expenses. Additional supporting services for pupils, staff and business operations encompassed an additional 34.8%. The remaining 6.9% of program expenses is used for other obligations of the School District such as operation of non-instructional services, extracurricular activities and interest and fiscal charges.

The Statement of Activities shows the cost of program services and the charges for services and operating and capital grants and contributions offsetting those services. Table 3 shows, for government 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.

Table 3
Total and Net Cost of Program Services
Governmental Activities

	Total Cost of Services <u>2010</u>	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2010</u>	Net Cost of Services <u>2009</u>
Program Expenses				
Instruction:				
Regular	\$ 6,391,711	\$ 6,486,025	\$ (5,548,197)	\$ (6,378,575)
Special	1,426,335	1,324,068	(1,099,082)	(733,896)
Vocational	90,672	92,111	(83,472)	(92,111)
Adult/continuing	71	-	(71)	-
Support services:				
Pupils	466,917	524,749	(437,053)	(520,709)
Instructional staff	795,886	703,876	(539,609)	(357,685)
Board of education	24,305	70,836	(24,305)	(70,836)
Administration	1,201,050	1,182,285	(1,168,064)	(1,140,341)
Fiscal	351,465	394,787	(351,465)	(394,787)
Operation and maintenance of plant	1,019,447	1,123,689	(1,018,747)	(1,123,085)
Pupil transportation	746,270	716,930	(710,768)	(711,190)
Central	108,836	138,826	(103,836)	(133,826)
Operation non-instructional services	497,297	593,047	39,232	(47,254)
Extracurricular activities	430,542	464,915	(198,753)	(223,737)
Total	<u>\$ 13,550,804</u>	<u>\$ 13,816,144</u>	<u>\$ (11,244,190)</u>	<u>\$ (11,928,032)</u>

Wellington Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year June 30, 2010

Unaudited

The dependence upon tax revenues for governmental activities is apparent. The net cost of the programs of \$13,550,804 was supported by mostly by property taxes. Program revenues totaled \$2,306,614 accounting for 16.8% of all governmental revenues. Program revenues include charges for services, operating grants and contributions that are program specific. The community, as a whole, is the primary support for Wellington Exempted Village School District students.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The total revenues and other financing sources for governmental funds were \$14,406,432 and total expenditures and other financing uses were \$14,016,081. The total governmental funds balance increased by \$390,351, the School District continues to be financially stable with a total governmental fund balance of \$5,189,285 at year-end. Table 4 shows fiscal year 2010 fund balances compared to fiscal year 2009.

Table 4
Fund Balances

	<u>Fund Balance</u> <u>June 30, 2010</u>	<u>Fund Balance</u> <u>June 30, 2009</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percent</u> <u>Change</u>
General	\$ 3,840,366	\$ 3,854,789	\$ (14,423)	(0.37)
Building improvements	1,185,250	835,646	349,604	41.84
Other governmental	<u>163,669</u>	<u>108,499</u>	<u>55,170</u>	<u>(50.85)</u>
Total	<u>\$ 5,189,285</u>	<u>\$ 4,798,934</u>	<u>\$ 390,351</u>	<u>8.13</u>

General Fund

The net change in fund balance for the fiscal year was significant in the general fund reporting a fund balance of \$3,840,366, a decrease of \$14,423 from 2009. This decrease was attributable to a decrease of \$425,964 in total revenues. This decrease was primarily due to a \$327,640 decrease in intergovernmental revenue.

Wellington Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year June 30, 2010

Unaudited

Table 5
General Fund Changes in Revenues and Expenditures

	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percent</u> <u>Change</u>
<u>Revenues:</u>				
Property taxes	\$ 3,540,530	\$ 3,493,645	\$ 46,885	1.34
Income taxes	1,561,541	1,683,885	(122,344)	(7.27)
Intergovernmental	6,300,425	6,628,065	(327,640)	(4.94)
Interest	2,577	53,651	(51,074)	(95.20)
Tuition and fees	422,481	306,238	116,243	37.96
Extracurricular activities	36,597	40,368	(3,771)	(9.34)
Gifts and donations	25	-	25	-
Rent	700	-	700	-
Payments in lieu of taxes	8,823	-	8,823	-
Miscellaneous	<u>12,069</u>	<u>105,880</u>	<u>(93,811)</u>	<u>(88.60)</u>
Total revenues	<u>11,885,768</u>	<u>12,311,732</u>	<u>(425,964)</u>	
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	5,647,134	6,349,971	(702,837)	(11.07)
Special	1,174,234	1,063,795	110,439	10.38
Vocational	86,382	90,807	(4,425)	(4.87)
Support services:				
Pupils	446,316	516,321	(70,005)	(13.56)
Instructional staff	476,229	447,080	29,149	6.52
Board of education	24,305	70,836	(46,531)	(65.69)
Administration	1,148,596	1,101,228	47,368	4.30
Fiscal	358,372	380,930	(22,558)	(5.92)
Operation and maintenance of plant	1,007,519	1,127,879	(120,360)	(10.67)
Pupil transportation	629,475	605,864	23,611	3.90
Central	105,593	134,198	(28,605)	(21.32)
Operation of non-instructional services	162	754	(592)	(78.51)
Extracurricular	251,981	268,667	(16,686)	(6.21)
Capital outlay	<u>16,208</u>	<u>-</u>	<u>16,208</u>	<u>-</u>
Total expenditures	<u>\$ 11,372,506</u>	<u>\$ 12,158,330</u>	<u>\$ (785,824)</u>	

General Fund Budgeting Highlights

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

Wellington Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year June 30, 2010

Unaudited

During the course of fiscal year 2010, the School District amended its general fund budget several times; however this amendment was not significant. Budget revisions are presented to the Board of Education for approval. For the general fund, the final budget basis revenue was \$11,912,287 representing a decrease of \$219,175 from the original budget estimate of \$12,131,462. Most of this difference is not related to any one particular item. Actual revenue for the general fund was \$11,909,109, a decrease of \$3,179 from the final budget estimate. This decrease was not attributed to any single item. The School District's general fund unencumbered cash balance at the end of the fiscal year was \$4,301,705.

The difference between the original budget appropriations and the final amended budget appropriations of the general fund were approximately \$1,005,253. Most of the decrease occurred in instruction, which amounted to \$634,952. There was no difference between the final budget appropriations and the actual expenditures of the general fund.

For the other non-significant budget amendments, the School District uses a site-based style of budgeting and has in place systems that are designed to tightly control site budgets but provide flexibility for site management. Building principals are given a per pupil allocation for textbooks, instructional materials and equipment.

Capital Assets and Debt Administration

A. Capital Assets

At the end of fiscal year 2010, the School District had \$4,249,673 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. Table 6 shows fiscal year 2010 values compared to 2009.

Table 6
Capital Assets, at Fiscal Year End
(Net of Depreciation)

	Governmental Activities	
	<u>2010</u>	<u>2009</u>
Land	\$ 1,430,520	\$ 1,430,520
Land improvements	368,971	295,527
Buildings and improvements	1,959,007	2,057,259
Furniture and equipment	273,184	271,273
Vehicles	<u>217,991</u>	<u>290,501</u>
Total capital assets	<u>\$ 4,249,673</u>	<u>\$ 4,345,080</u>

Wellington Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year June 30, 2010

Unaudited

All capital assets, except land, are reported net of depreciation. As one can see, the most significant change in capital assets during the fiscal year occurred in land improvements, buildings and improvements and vehicles. The additions in land improvements were greater than the year's offsetting depreciation and buildings and improvements and vehicles current year depreciation was greater than current year additions. Additional information on capital assets can be found in Note 8.

B. Debt Administration

At June 30, 2010 the School District did not have any outstanding bonded debt.

School District Outlook

Wellington Exempted Village School District has continued to maintain the highest standards of service to our students, parents and community. The School District is always presented with challenges and opportunities. Recent national events and their impact on the Wellington Exempted Village School District and the surrounding area are very much under review and analysis.

The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The financial future of the School District is not without its challenges though. These challenges stem from issues that are local and at the State level. The local challenges will continue to exist, as the School District must rely heavily on property taxes to fund its operations. State level challenges continue to evolve as the State of Ohio works toward a solution to the State's unconstitutional education funding system. Although the School District relies heavily on its property taxpayers to support its operations, community support remains quite strong.

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers and investors and creditors with a general overview of the School District's finances and show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Ms. Suzanne Wilson, Treasurer at Wellington Exempted Village School District, 201 S. Main Street, Wellington, Ohio 44090, or call 440-647-4286.

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Wellington Exempted Village School District

Statement of Net Assets

June 30, 2010

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 5,818,237
Inventory held for resale	14,552
Materials and supplies inventory	1,672
Receivables:	
Accounts	13,116
Intergovernmental	218,457
Property taxes	3,626,991
Income taxes	584,176
Prepaid items	34,406
Capital assets:	
Nondepreciable capital assets, net	1,430,520
Depreciable capital assets, net	2,819,153
Total capital assets	<u>4,249,673</u>
Total assets	<u>14,561,280</u>
<u>Liabilities:</u>	
Accounts payable	95,200
Accrued wages	1,200,169
Intergovernmental payable	364,794
Deferred revenue	3,312,611
Long-term liabilities:	
Due within one year	300,333
Due in more than one year	726,371
Total liabilities	<u>5,999,478</u>
<u>Net assets:</u>	
Invested in capital assets	4,249,673
Restricted for:	
Capital projects	1,185,250
Debt service	31
Other purposes	211,671
Unrestricted	<u>2,915,177</u>
Total net assets	<u>\$ 8,561,802</u>

See accompanying notes to the basic financial statements.

Wellington Exempted Village School District

Statement of Activities

For the Fiscal Year Ended June 30, 2010

	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$ 6,391,711	\$ 427,039	\$ 416,475	\$ (5,548,197)
Special	1,426,335	51,550	275,703	(1,099,082)
Vocational	90,672	-	7,200	(83,472)
Adult/continuing	71	-	-	(71)
Support services:				
Pupils	466,917	-	29,864	(437,053)
Instructional staff	795,886	-	256,277	(539,609)
Board of education	24,305	-	-	(24,305)
Administration	1,201,050	23,743	9,243	(1,168,064)
Fiscal	351,465	-	-	(351,465)
Operation and maintenance of plant	1,019,447	700	-	(1,018,747)
Pupil transportation	746,270	-	35,502	(710,768)
Central	108,836	-	5,000	(103,836)
Operation of non-instructional services	497,297	254,619	281,910	39,232
Extracurricular activities	430,542	229,289	2,500	(198,753)
Total governmental activities	<u>\$ 13,550,804</u>	<u>\$ 986,940</u>	<u>\$ 1,319,674</u>	<u>(11,244,190)</u>
<u>General Revenues:</u>				
Property taxes levied for:				
General purposes				3,535,362
Income Taxes Levied for:				
General Purposes				1,561,541
Grants and entitlements not restricted to specific programs				6,285,971
Payment in Lieu of Taxes				8,823
Investment earnings				2,577
Miscellaneous				12,095
Total general revenues				<u>11,406,369</u>
Change in net assets				162,179
Net assets, beginning of year				<u>8,399,623</u>
Net assets, end of year				<u>\$ 8,561,802</u>

See accompanying notes to the basic financial statements.

Wellington Exempted Village School District

Balance Sheet

Governmental Funds

June 30, 2010

	General	Building Improvement	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 4,365,539	\$ 1,185,250	\$ 267,448	\$ 5,818,237
Inventory held for resale	-	-	14,552	14,552
Materials and supplies inventory	-	-	1,672	1,672
Receivables:				
Accounts	12,616	-	500	13,116
Intergovernmental	11,230	-	207,227	218,457
Interfund	131,696	-	-	131,696
Property taxes	3,626,991	-	-	3,626,991
Income taxes	584,176	-	-	584,176
Prepaid items	34,406	-	-	34,406
Total assets	<u>\$ 8,766,654</u>	<u>\$ 1,185,250</u>	<u>\$ 491,399</u>	<u>\$ 10,443,303</u>
<u>Liabilities and fund balances:</u>				
<u>Liabilities:</u>				
Accounts payable	\$ 93,388	\$ -	\$ 1,812	\$ 95,200
Accrued wages	1,083,148	-	117,021	1,200,169
Interfund payable	-	-	131,696	131,696
Intergovernmental payable	326,513	-	38,281	364,794
Deferred revenue	3,423,239	-	38,920	3,462,159
Total liabilities	<u>4,926,288</u>	<u>-</u>	<u>327,730</u>	<u>5,254,018</u>
<u>Fund balances:</u>				
Reserved for encumbrances	34,273	108,539	2,940	145,752
Reserved for prepaid items	34,406	-	-	34,406
Reserved for property taxes	206,107	-	-	206,107
Unreserved,				
Undesignated, reported in:				
General fund	3,565,580	-	-	3,565,580
Special revenue funds	-	-	160,698	160,698
Debt service fund	-	-	31	31
Capital projects funds	-	1,076,711	-	1,076,711
Total fund balances	<u>3,840,366</u>	<u>1,185,250</u>	<u>163,669</u>	<u>5,189,285</u>
Total liabilities and fund balances	<u>\$ 8,766,654</u>	<u>\$ 1,185,250</u>	<u>\$ 491,399</u>	<u>\$ 10,443,303</u>

See accompanying notes to the basic financial statements.

Wellington Exempted Village School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities*
 June 30, 2010

Total governmental fund balances			\$	5,189,285
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.				4,249,673
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:				
Property taxes	\$	108,273		
Intergovernmental		38,920		
Charges for services		<u>2,355</u>		
				149,548
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:				
Compensated absences				<u>(1,026,704)</u>
Net assets of governmental activities			\$	<u><u>8,561,802</u></u>

See accompanying notes to the basic financial statements.

Wellington Exempted Village School District

Statement of Revenues, Expenditures

and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2010

	General	Building Improvement	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Property taxes	\$ 3,540,530	\$ -	\$ -	\$ 3,540,530
Income taxes	1,561,541	-	-	1,561,541
Intergovernmental	6,300,425	-	1,389,610	7,690,035
Interest	2,577	-	-	2,577
Tuition and fees	422,481	-	53,753	476,234
Extracurricular activities	36,597	-	217,048	253,645
Gifts and donations	25	-	78,561	78,586
Charges for services	-	-	249,891	249,891
Rent	700	-	-	700
Payments in lieu of taxes	8,823	-	-	8,823
Miscellaneous	12,069	-	4,116	16,185
Total revenues	<u>11,885,768</u>	<u>-</u>	<u>1,992,979</u>	<u>13,878,747</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	5,647,134	12,303	505,143	6,164,580
Special	1,174,234	-	274,849	1,449,083
Vocational	86,382	-	4,000	90,382
Adult/continuing	-	-	71	71
Support services:				
Pupils	446,316	-	33,440	479,756
Instructional staff	476,229	-	346,189	822,418
Board of education	24,305	-	-	24,305
Administration	1,148,596	20,571	47,353	1,216,520
Fiscal	358,372	-	-	358,372
Operation and maintenance of plant	1,007,519	15,784	-	1,023,303
Pupil transportation	629,475	-	50,018	679,493
Central	105,593	-	5,000	110,593
Operation of non-instructional services	162	-	492,258	492,420
Extracurricular activities	251,981	-	178,029	430,010
Capital outlay	16,208	112,835	18,047	147,090
Total expenditures	<u>11,372,506</u>	<u>161,493</u>	<u>1,954,397</u>	<u>13,488,396</u>
Excess of revenues over (under) expenditures	<u>513,262</u>	<u>(161,493)</u>	<u>38,582</u>	<u>390,351</u>
<u>Other financing sources (uses):</u>				
Transfers in	-	511,097	16,588	527,685
Transfers out	<u>(527,685)</u>	<u>-</u>	<u>-</u>	<u>(527,685)</u>
Total other financing sources (uses)	<u>(527,685)</u>	<u>511,097</u>	<u>16,588</u>	<u>-</u>
Net change in fund balances	(14,423)	349,604	55,170	390,351
Fund balances at beginning of year	3,854,789	835,646	108,499	4,798,934
Fund balances at end of year	<u>\$ 3,840,366</u>	<u>\$ 1,185,250</u>	<u>\$ 163,669</u>	<u>\$ 5,189,285</u>

See accompanying notes to the basic financial statements.

Wellington Exempted Village School District

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2010*

Net change in fund balances - total governmental funds \$ 390,351

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities,
the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

In the current period, these amounts are:

Capital asset additions	\$ 147,090	
Capital asset disposals	(3,462)	
Depreciation expense	<u>(239,035)</u>	
Excess of capital outlay over depreciation expense		(95,407)

Revenues in the statement of activities that do not provide current financial resources are not
reported as revenues in the funds. These activities consist of:

Property taxes	\$ (5,168)	
Intergovernmental	(162,951)	
Charges for services	<u>2,355</u>	
Net change in deferred revenues during the year		(165,764)

Some items reported in the statement of activities do not require the use of current financial
resources and therefore are not reported as expenditures in governmental funds. These
activities consist of:

Decrease in compensated absences		<u>32,999</u>
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Change in net assets of governmental activities \$ 162,179

See accompanying notes to the basic financial statements.

Wellington Exempted Village School District
*Statement of Revenues, Expenditures and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual - General Fund
 For the Fiscal Year Ended June 30, 2010*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Taxes	\$ 3,511,573	\$ 3,550,256	\$ 3,550,256	\$ -
Income taxes	1,737,829	1,584,896	1,584,896	-
Intergovernmental	6,221,195	6,300,425	6,300,425	-
Interest	3,160	3,160	2,981	(179)
Tuition and fees	538,729	413,606	413,606	-
Rent	700	700	700	-
Extracurricular activities	44,600	36,597	36,597	-
Gifts and donations	1,997	25	25	-
Payments in lieu of taxes	5,625	8,823	8,823	-
Miscellaneous	66,054	13,799	10,799	(3,000)
Total revenues	12,131,462	11,912,287	11,909,108	(3,179)
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,438,395	5,864,544	5,864,544	-
Special	1,233,023	1,178,373	1,178,373	-
Vocational	92,370	86,870	86,870	-
Student intervention services	951	-	-	-
Support services:				
Pupils	519,720	465,690	465,690	-
Instructional staff	496,677	501,044	501,044	-
Board of education	70,836	32,756	32,756	-
Administration	1,144,109	1,138,949	1,138,949	-
Fiscal	379,200	366,445	366,445	-
Operation and maintenance of plant	1,170,463	997,359	997,359	-
Pupil transportation	667,254	611,832	611,832	-
Central	132,903	116,896	116,896	-
Operation of non-instructional services	754	162	162	-
Extracurricular activities	272,391	252,873	252,873	-
Total expenditures	12,619,046	11,613,793	11,613,793	-
Excess of revenues over (under) expenditures	(487,584)	298,494	295,315	(3,179)
<u>Other financing sources (uses):</u>				
Refund of prior year expenditures	-	22,049	22,049	-
Other financing uses	(2,326)	(90)	(90)	-
Advances in	25,000	25,000	25,000	-
Advances out	(125,000)	(131,696)	(131,696)	-
Transfers out	(444,739)	(527,685)	(527,685)	-
Total other financing sources (uses)	(547,065)	(612,422)	(612,422)	-
Net change in fund balance	(1,034,649)	(313,928)	(317,107)	(3,179)
Fund balance at beginning of year	4,504,988	4,504,988	4,504,988	-
Prior year encumbrances appropriated	113,824	113,824	113,824	-
Fund balance at end of year	\$ 3,584,163	\$ 4,304,884	\$ 4,301,705	\$ (3,179)

See accompanying notes to the basic financial statements.

Wellington Exempted Village School District

Statement of Assets and Liabilities

Agency Funds

June 30, 2010

	<u>Agency</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 31,444
Receivables:	
Accounts	17
Total assets	<u>\$ 31,461</u>
<u>Liabilities:</u>	
Undistributed monies	<u>\$ 31,461</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, 2010

Note 1 - Summary of Significant Accounting Policies

Description of the School District

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

The School District was established through the consolidation of existing land areas and school districts. The School District serves an area of approximately sixty four square miles. It is located in Lorain and Huron Counties. It is staffed by 65 non-certificated employees and 100 certificated personnel who provide services to 1,478 students and other community members.

Reporting Entity

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

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

The School District is associated with organizations which are defined as a jointly governed organizations, public entity risk pools and insurance purchasing pools. These organizations include the Lake Erie Educational Computer Association, Lake Erie Regional Council of Governments, Lorain County Joint Vocational School District and Ohio School Plan. These organizations are presented in Notes 14, 15 and 16 to the basic financial statements

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity for establishing governmental accounting and financial reporting principles. Following are the more significant of the School District's accounting polices.

Wellington Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

A. Basis of Presentation – Fund Accounting

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The Statement of Net Assets presents the financial condition of the governmental activities of the School District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

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

B. Fund Accounting

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

Wellington Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Governmental Funds Types

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

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

Building Improvement Capital Projects Fund: The building fund accounts for property tax revenue to be used for capital improvements made to existing buildings in the School District.

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

Fiduciary Fund Types

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 fund is an agency fund, which accounts for school and extracurricular activities managed by students.

C. Measurement Focus and Basis of Accounting

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

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

Wellington Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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. The agency fund also uses the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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 the 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 year-end.

Non-exchange 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 taxes are levied. 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 the modified accrual basis, revenue from non-exchange 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, investment earnings, tuition, grants and entitlements, and student fees.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes (excluding delinquent taxes) for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

Wellington Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the statement of activities as an expense with a like amount reported within the “Operating Grants, Contributions and Interest” program revenue account. Unused donated commodities are reported in the account “Inventory Held for Resale” within the basic financial statements.

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 the governmental funds.

D. Budgets and Budgetary Accounting

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 primary level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The Certificate of Estimated Resources and the Appropriation Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The amounts reported as the original budgeted revenue in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2010. The amounts reported as the original budgeted expenditures reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditures represent the final appropriation amounts passed by the Board during the year.

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 are not reappropriated.

E. Cash and Investments

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records.

Wellington Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Each fund's interest in the pool is presented as "Equity in pooled cash and cash equivalents". During the fiscal year, investments were limited to overnight repurchase agreements, certificates of deposit, and interest in STAR Ohio, the State Treasurer's Investment Pool. All investments of the School District had a maturity of two years or less. These investments are stated at cost, which approximates market value (fair value). Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to certain trust funds, unless the Board specifically allows the interest to be recorded in other funds. The Board of Education has passed a resolution to allow interest to also be recorded in other funds as explained in Note 3.

For presentation on the basic financial statements, investments of the cash management pool and investments with a 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.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

G. Inventory

On the governmental-wide financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed when used. Inventories of the general fund were not significant at the end of the year. Inventories of the food service special revenue fund consist of donated food, purchased food and supplies held for resale.

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand 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 the asset's life are not capitalized. The School District's policy is not to capitalize interest costs incurred as part of construction.

Wellington Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Building and Improvements	50 - 80 years
Furniture and Equipment	8 - 25 years
Vehicles	15 years

I. Interfund Balances

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

J. Compensated Absences

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

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments. The entire compensated absences liability is reported on the government-wide financial statements.

For the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid.

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the fund financial statements when due.

Wellington Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

L. Net Assets

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

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

M. Fund Balance Reserves

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

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

N. Interfund Transactions

Interfund transactions are reported as other financing sources/uses for governmental funds in the fund financial statements. All transfers between governmental funds have been eliminated within the governmental activities column of the statement of net assets.

O. Estimates

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

Note 2 - Budgetary Basis of Accounting

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

Wellington Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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

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

<u>Net Change in Fund Balance</u>	
GAAP Basis	\$ (14,423)
Net adjustment for revenue accruals	70,389
Net adjustment for expenditure accruals	(309,234)
Adjustment for encumbrances	<u>(63,839)</u>
Budget Basis	<u>\$ (317,107)</u>

Note 3 - Deposits and Investments

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

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

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current 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 may be invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

Wellington Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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

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

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

Wellington Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

A. Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, the carrying amount of the School District's deposits was \$3,650,346. The School District's bank balance of \$3,702,283 was covered by FDIC.

B. Investments

As of June 30, 2010 the School District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
STAROhio	\$ 2,199,335	56.0 ⁽²⁾	AAAm ⁽¹⁾

⁽¹⁾ Standard and Poor's rating.
⁽²⁾ Days (Average)

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 Securities Exchange Commission 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, 2010.

Interest rate risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. The School District's investment policy does not address limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation.

Concentration of credit risk is the possibility of loss attributed to the magnitude of the School District's investment in a single issuer. The School District places no limit on the amount that may be invested to any one issuer. The School District at June 30, 2010 had one hundred percent of its investments with STAR Ohio.

Note 4 - Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur

Wellington Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located within the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35% of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed at 35% of true value and public utility tangible personal property currently is assessed at varying percentages of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year.

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 alternative payment dates to be established.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes paid 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.

The School District receives property taxes from Lorain and Huron Counties. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by year-end are available to finance the current fiscal year operations. The amount available to be advanced can vary based on the date the tax bills are sent and on the collection of delinquent taxes. The Board has passed a resolution to accept advances of property taxes and make them available for appropriation.

Accrued property tax receivable represents delinquent taxes outstanding and real property, tangible personal property and public utility taxes, which became measurable as of year-end. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at year-end is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at year-end was \$206,107 in the general fund and is recognized as revenue on the fund financial statements.

On the accrual basis, collectible delinquent property taxes have been recorded as revenue on the statement of activities.

Wellington Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2010	2009
	<u>Assessed Value</u>	<u>Assessed Value</u>
Real Property		
Residential and Agricultural	\$ 154,756,520	\$ 162,575,599
Commercial and Industrial	30,718,209	30,582,290
Public Utilities	127,070	-
Tangible Personal Property		
General	123,543	132,187
Public Utilities	4,770,070	6,452,840
Total	<u>\$ 190,495,412</u>	<u>\$ 199,742,916</u>
Tax rate per \$1,000 of of assessed valuation	\$ 59.29	\$ 59.29

Note 5 - Receivables

Receivables at year-end consisted of taxes, accounts (tuition), and intergovernmental grants and entitlements. 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. Special revenue funds recorded intergovernmental receivables for state and federal grants and reimbursements in the amount of \$207,227.

Note 6 - Interfund Transactions

Interfund transfers for the year ended June 30, 2010, consisted of the following:

Transfers from general fund to:	
Nonmajor governmental funds	\$ 527,685

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2010 are reported on the statement of net assets.

Wellington Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 7 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

<u>Governmental Activities</u>	<u>Balance June 30, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2010</u>
Capital assets, not being depreciated:				
Land	\$ 1,430,520	\$ -	\$ -	\$ 1,430,520
Capital assets, being depreciated:				
Land improvements	733,732	96,893	-	830,625
Buildings	6,130,799	-	(3,361)	6,127,438
Furniture and equipment	861,305	50,197	(21,182)	890,320
Vehicles	752,079	-	-	752,079
Total capital assets, being depreciated	<u>8,477,915</u>	<u>147,090</u>	<u>(24,543)</u>	<u>8,600,462</u>
Less: Accumulated depreciation				
Land improvements	(438,205)	(23,449)	-	(461,654)
Buildings	(4,073,540)	(96,904)	2,013	(4,168,431)
Furniture and equipment	(590,032)	(46,172)	19,068	(617,136)
Vehicles	(461,578)	(72,510)	-	(534,088)
Total accumulated depreciation	<u>(5,563,355)</u>	<u>(239,035)</u>	<u>21,081</u>	<u>(5,781,309)</u>
Total capital assets being depreciated, net	<u>2,914,560</u>	<u>(91,945)</u>	<u>(3,462)</u>	<u>2,819,153</u>
Governmental activities capital assets, net	<u>\$ 4,345,080</u>	<u>\$ (91,945)</u>	<u>\$ (3,462)</u>	<u>\$ 4,249,673</u>

Wellington Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 142,117
Special	2,309
Vocational	456
Support services:	
Pupil	2,044
Administration	6,869
Fiscal	507
Operation and maintenance of plant	4,432
Pupil transportation	71,415
Operation of non-instructional services	8,354
Extracurricular activities	<u>532</u>
Total depreciation expense	<u>\$ 239,035</u>

Note 8 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2010, the School District contracted with a commercial insurance provider for liability, fleet and property insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years.

The School District pays the State Worker's Compensation System, a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The School District has contracted with the Lake Erie Regional Council of Governments(LERC) to provide employee health and medical benefits. The School District provides medical and dental benefits to most employees. The premium and coverage varies with employees depending on marital status.

Note 9 - Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified, full-time administrators and non-bargaining unit employees earn 10 to 30 days of vacation per year, depending upon length of service and hours worked. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and elementary principals do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. There is a 240 day limit as to the amount of sick leave that may be accumulated.

Wellington Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees. Life insurance is provided through Fort Dearborn Life Insurance Company. The premium for the employee term life insurance is paid by the School District at a rate of .075 per \$1,000 of coverage plus an additional administrative fee of 3% of the total premium.

Note 10 - Defined Benefit Pension Plans

A. School Employee Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the system. For fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension and death benefits. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$266,342, \$156,211 and \$155,925 respectively; 50.00 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. 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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

Wellington Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent 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 STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$775,825, \$762,190, and \$748,969 respectively; 83.2 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$22,840 made by the School District and \$16,314 made by the plan members.

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 of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2010, all the members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

Wellington Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Note 11 - Postemployment Benefits

A. School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, 0.46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$36,529, \$98,712, and \$88,962 respectively; 84.5 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$15,839, \$11,342, and \$11,234 respectively; 50.00 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Wellington Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District’s contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$59,679, \$58,630, and \$57,613 respectively; 83.2 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

Note 12 - Operating Lease

The School District is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreement is not reflected in the School District’s statement of net assets as a long term liability. During 2010, expenditures for the operating lease totaled \$70,261 following is a schedule of future minimum lease payments as of June 30, 2010:

<u>Fiscal</u> <u>Year</u>	<u>Lease</u> <u>Payments</u>
2011	\$ 68,781
2012	68,781
2013	62,083
2014	<u>861</u>
Total minimum lease payments	<u>\$ 200,506</u>

Note 13- Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2010 were as follows:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
Compensated absences	\$ 1,059,703	\$ 35,391	\$ 68,390	\$ 1,026,704	\$ 300,333
Total Long-term Liabilities	<u>\$ 1,059,703</u>	<u>\$ 35,391</u>	<u>\$ 68,390</u>	<u>\$ 1,026,704</u>	<u>\$ 300,333</u>

Compensated absences will be paid from the general and food service funds.

Note 14 - Jointly Governed Organizations

A. Lake Erie Educational Computer Association (LEECA)

LEECA is a jointly governed organization comprised of twenty-five school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of these schools supports LEECA based upon a per pupil charge dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating school 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 in which participating school districts are located. Financial information can be obtained by writing the Treasurer of the Educational Service Center of Lorain County, 1885 Lake Ave., Elyria, Ohio 44035. During fiscal year 2010, the School District contributed \$57,896 to LEECA.

B. Lorain County Joint Vocational School District

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

Note 15 - Public Entity Risk Pool

The Lake Erie Regional Council of Government (LERC) is a shared risk pool which is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services. The Council, comprised of 10 Lorain County school districts, has a Health Benefits Program, a media center, a natural gas purchasing consortium, and a life insurance purchasing pool. Each member provided operating resources to LERC on a per-pupil or actual usage charge, except for health insurance.

Wellington Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Note 16 – Insurance Purchasing Pool

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

Note 17 - Contingencies

The School District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

Note 18 - Set-Asides

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

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

Wellington Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

	Textbook Instructional Materials <u>Reserve</u>	Capital Improvements <u>Reserve</u>
Set-aside reserve balance as of June 30, 2009	\$ 52,014	\$ -
Current year set-aside requirement	235,021	235,021
Current year offset	(463,387)	(47,710)
Qualified disbursements	<u>(159,735)</u>	<u>(187,311)</u>
Set-aside reserve balance carried forward to future fiscal years	<u>\$ (336,087)</u>	<u>\$ -</u>

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

Note 19 - School District Income Tax

The School District levies a voted income tax of 1% on the residents' income and on estates. The permanent income tax has been effective since January 1, 1991. Employers of the School District's residents are required to withhold income tax on compensation and remit the withheld tax to the State of Ohio. Once the income taxes have been collected by the State of Ohio, the State makes quarterly payments to the School District after withholding an administrative fee and estimated amounts for refunds. The income tax money is received in the general fund. Taxpayers are required to file a school district income tax return annually.

Note 20 - Accountability

As of June 30, 2010, five funds had a deficit fund balance. These deficits were caused by the application of GAAP; namely in the reporting of various liabilities attributable to the fiscal year. These deficit balances will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The following funds had a deficit balance:

	<u>Amount</u>
<u>Nonmajor special revenue fund:</u>	
Food service	\$ 6,273
Latchkey	2,366
Title VI-B	13,117
Title I	4,066
Improving teacher quality	2,661

Note 21 - New Accounting and Reporting Standards

In June 2007, the GASB issued Statement No. 51, “Accounting and Reporting for Intangible Assets.” This statement establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The School District has considered the implications of this statement and has determined that it has no impact on the financial statements or note disclosures for the current period.

In June 2008, the GASB issued Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments.” This statement enhances the usefulness and comparability of derivative instrument information reported by state and local governments. This Statement provides a comprehensive framework for the measurement, recognition, and disclosure of derivative instrument transactions. The School District has considered the implications of this statement and has determined that it has no impact on the financial statements or note disclosures for the current period.

In March 2009, the GASB issued Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the presentation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The implementation of this statement did not result in any change to the School District’s financial statements.

In March 2009, the GASB issued Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants’ and auditing literature into the GASB’s accounting and financial reporting literature for state and local governments. The statement’s guidance addresses related party transactions, going concern considerations, and subsequent events from the AICPA literature. The implementation of this statement did not result in any change to the School District’s financial statements.

In December 2009, the GASB issued Statement No. 58, “Accounting and Financial Reporting for Chapter 8 Bankruptcies.” This statement establishes accounting and financial reporting guidance for governments that have petitioned for protections from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The School District has considered the implications of this statement and has determined that it has no impact on the financial statements or note disclosures for the current period.

WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT

Schedule of Federal Awards Expenditures

For the Year Ended June 30, 2010

Federal Grantor/Program Title	Pass Through Entity Number	CFDA Number	Receipts Recognized	Program Expenditures
<u><i>U.S. Department of Agriculture</i></u>				
Nutrition Cluster:				
Passed Through the Ohio Department of Education				
Cash Assistance:				
Breakfast Program	045658-05PU-2010	10.553	\$ 47,053	\$ 47,053
National School Lunch Program	045658-LLP4-2010	10.555	194,547	194,547
Direct Program				
Non-Cash Assistance:				
National School Lunch Program (Food Distribution)	n/a	10.555	<u>57,559</u>	<u>57,559</u>
Total Nutrition Cluster			299,159	299,159
Child Nutrition Mini Grant	na	10.574	<u>2,000</u>	<u>2,000</u>
Total U.S. Department of Agriculture			301,159	301,159
<u><i>U.S. Department of Education</i></u>				
Pass through Ohio Department of Education				
Title I - Financial Assistance to Meet Special Education Needs of Disadvantaged Children				
Title I - ARRA	n/a	84.389	20,589	25,470
Title I - FY 09	045658-CISI-2009	84.010	2,449	9,041
Title I - FY 10	045658-CISI-2010	84.010	<u>124,972</u>	<u>147,985</u>
Total Title I			148,010	182,496
Title VI - B, Special Education - Assistance to States for Education of Handicapped Children				
Title VI - B ARRA	n/a	84.391	100,472	128,827
Title VI - B - FY 09	045658-6BSF-2009	84.027	73,675	72,253
Title VI - B - FY 10	045658-6BSF-2010	84.027	<u>173,823</u>	<u>233,885</u>
Total Title VI-B, Special Education			347,970	434,965
ARRA-Education Stabilization Grants, Recovery Act	n/a	84.394	361,744	288,815
Drug - Free School Grant - FY10	045658-DRSI-2010	84.186	402	4,906
Title II-D FY10	045658-TJSI-2010	84.318	1,393	1,532
Title II-A Improving Teacher Quality State Grants				
Title II-A FY 09	045658-TRSI-2009	84.367	(3,094)	-
Title II-A FY 10	045658-TRSI-2010	84.367	<u>77,282</u>	<u>86,522</u>
Total Title II-A			<u>74,188</u>	<u>86,522</u>
Total U.S. Department of Education			933,707	999,236
<u><i>U.S. Department of Health and Human Services</i></u>				
Pass through Ohio Department of Education				
Improving Health & Education Outcomes	na	93.110	<u>500</u>	<u>500</u>
Total U.S. Department of Health and Human Services			<u>500</u>	<u>500</u>
Total Federal Receipts / Expenditures			<u>\$ 1,235,366</u>	<u>\$ 1,300,895</u>

See accompanying Notes to the Schedule of Federal Awards Expenditures

WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
Lorain County
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2010

1. Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

2. Food Distribution

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2010, the District had immaterial food commodities in inventory recorded in the Food Service Fund.

3. Transfers

The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education's (ODE) approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using cost centers for each year's activity, and transferring the amounts ODE approved between the cost centers. During fiscal year 2010, the ODE authorized the following transfers.

CFDA No.	Program Title	Pass through Entity No.	Transfer Out	Transfer In
84.367	Title II A - FY09	TRSI-2009	(3,094)	
84.367	Title II A - FY10	TRSI-2010		3,094

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

Wellington Exempted Village School District
Lorain County
201 South Main Street
Wellington, OH 44090

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wellington Exempted Village School District, Lorain County, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

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

We intend this report solely for the information and use of management, the audit committee, the Board of Education, federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.

Charles E. Harris & Associates, Inc.

December 22, 2010

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Wellington Exempted Village School District
Lorain County
201 South Main Street
Wellington, OH 44090

To the Board of Education:

Compliance

We have audited the compliance of the Wellington Exempted Village School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

CHARLES E. HARRIS & ASSOCIATES, INC.

December 22, 2010

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505**

**WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY
June 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any significant deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Title VI-B IDEA-B CFDA #84.027 Title VI-B ARRA CFDA #84.391 Budget Stabilization CFDA #84.394
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

SCHEDULE OF FINDINGS - (continued)
OMB CIRCULAR A-133 SECTION .505

WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY
June 30, 2010

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

**WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY
For the Year Ended June 30, 2010**

SCHEDULE OF PRIOR AUDIT FINDINGS

The audit report, for the year ending June 30, 2009 reported no material citations or recommendations.



Dave Yost • Auditor of State

WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 3, 2011