

***WELLINGTON EXEMPTED VILLAGE
SCHOOL DISTRICT***

LORAIN COUNTY

AUDIT REPORT

For the Year Ended June 30, 2011

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, 2010 through June 30, 2011. 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

March 19, 2012

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**WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY
AUDIT REPORT
For the Year Ended June 30, 2011**

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

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, 2011, 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.

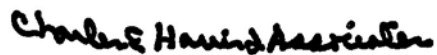
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Wellington Exempted Village School District, Lorain County, Ohio, as of June 30, 2011, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the District implemented Governmental Accounting Standard Board Statement No.54, "Fund Balance Reporting and Governmental Fund Type Definitions."

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2011, on our consideration of the Wellington Exempted Village School District, Lorain County, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wellington Exempted Village School District, Lorain County, Ohio's financial statements as a whole. The accompanying schedule of federal awards expenditures is presented for 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 financial statements. The schedule of federal awards expenditures is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Charles E. Harris & Associates, Inc.
December 23, 2011

Wellington Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year June 30, 2011

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, 2011. 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 2011 are as follows:

- In total, net assets of governmental activities decreased \$19,318, which represents a 0.2% decrease from 2010. Further analysis of this decrease may be found on page five.
- Revenues for governmental activities totaled \$14,238,101 in 2011. Of this total, \$11,668,658 or 81.9% consisted of general revenues while program revenues accounted for the balance of \$2,569,443 or 18.1%.
- The School District had \$14,257,419 in expenses related to governmental activities; only \$2,569,443 of these expenses was offset by program specific charges for services and operating grants and contributions. General revenues (primarily taxes and school foundation) of \$11,668,658 were not quite adequate for these programs.
- Program expenses totaled \$14,257,419. Instructional expenses made up \$8,559,796 or 60.04% of this total while support services accounted for \$4,702,292 or 32.98%. Other expenses, \$995,331 rounded out the remaining 6.98%.
- Unrestricted net assets carried a balance of \$2,958,478, an increase of \$43,301 from the prior year's balance of \$2,915,177. This component of net assets is primarily related to the activity of the general fund.
- Total assets of governmental activities increased \$1,227,637 which represents a 8.4% increase from 2010.

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, 2011

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, 2011

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 2011 compared to 2010:

Table 1
Net Assets
Governmental Activities

	<u>2011</u>	<u>2010</u>
Assets		
Current and other assets	\$ 11,427,991	\$ 10,311,607
Capital assets, net of depreciation	<u>4,360,926</u>	<u>4,249,673</u>
Total assets	<u>15,788,917</u>	<u>14,561,280</u>
Liabilities		
Other liabilities	5,231,192	4,972,774
Long-term liabilities:		
Due within one year	327,895	300,333
Due in more than one year	<u>1,687,346</u>	<u>726,371</u>
Total liabilities	<u>7,246,433</u>	<u>5,999,478</u>
Net Assets		
Invested in capital assets	4,360,926	4,249,673
Restricted	1,223,080	1,396,952
Unrestricted	<u>2,958,478</u>	<u>2,915,177</u>
Total net assets	<u>\$ 8,542,484</u>	<u>\$ 8,561,802</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the School District's assets exceeded liabilities by \$8,542,484.

Wellington Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year June 30, 2011

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, \$1,223,080, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted net assets, \$1,030,621 is restricted for capital projects, \$14,478 is restricted for debt service and \$177,981 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 \$11,668,658 or 81.9% of total revenue. The most significant portion of the general revenue is property taxes which is 27% of total revenue and intergovernmental grants and entitlements revenue (consisting of state foundation, homestead and rollback, and personal property tax exemption) which is 43% of total revenue. Income taxes accounted for 11.6% of total revenue. Investment earnings and miscellaneous revenue account for 0.3% of total revenue. The remaining amount of revenue received was in the form of program revenues, which equated \$2,569,443 or only 18.1% of total revenue.

Wellington Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year June 30, 2011

Unaudited

Table 2 shows the changes in net assets for fiscal years 2011 and 2010.

	<u>2011</u>	<u>2010</u>
Program Revenues		
Charges for services	\$ 950,601	\$ 986,940
Operating grants and contributions	1,601,742	1,319,674
Capital grants and contributions	17,100	-
Total program revenues	<u>2,569,443</u>	<u>2,306,614</u>
General Revenues		
Property taxes	3,842,826	3,535,362
Income taxes	1,656,233	1,561,541
Grants and entitlements	6,120,742	6,285,971
Payments in lieu taxes	5,120	8,823
Investment earnings	6,748	2,577
Miscellaneous	36,989	12,095
Total general revenues	<u>11,668,658</u>	<u>11,406,369</u>
Total revenues	<u>14,238,101</u>	<u>13,712,983</u>
Program Expenses		
Instruction:		
Regular	7,028,118	6,391,711
Special	1,432,749	1,426,335
Vocational	98,672	90,672
Adult/continuing	257	71
Support services:		
Pupils	525,699	466,917
Instructional staff	877,018	795,886
Board of education	36,341	24,305
Administration	1,151,609	1,201,050
Fiscal	362,524	351,465
Operation and maintenance of plant	1,023,291	1,019,447
Pupil transportation	538,190	746,270
Central	187,620	108,836
Operation non-instructional services	562,757	497,297
Extracurricular activities	400,541	430,542
Interest and fiscal charges	32,033	-
Total Program Expenses	<u>14,257,419</u>	<u>13,550,804</u>
Change in net assets	(19,318)	162,179
Net assets beginning of year	<u>8,561,802</u>	<u>8,399,623</u>
Net Assets End of Year	<u>\$ 8,542,484</u>	<u>\$ 8,561,802</u>

Expenses increased \$706,615 or 5.2% in 2011 as compared to 2010. This increase was not due to any one item. During the same period, revenues increased by \$525,118 or 3.8%. This increase was mainly due to an increase in property taxes and income taxes for the current fiscal year.

Wellington Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year June 30, 2011

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 27% of revenues for governmental activities for the School District in fiscal year 2011. 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 60.04% of governmental program expenses. Additional supporting services for pupils, staff and business operations encompassed an additional 32.98%. The remaining 6.98% 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>2011</u>	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2011</u>	Net Cost of Services <u>2010</u>
Program Expenses				
Instruction:				
Regular	\$ 7,028,118	\$ 6,391,711	\$ (6,046,871)	\$ (5,548,197)
Special	1,432,749	1,426,335	(1,062,990)	(1,099,082)
Vocational	98,672	90,672	(94,672)	(83,472)
Adult/continuing	257	71	48,412	(71)
Support services:				
Pupils	525,699	466,917	(525,699)	(437,053)
Instructional staff	877,018	795,886	(509,177)	(539,609)
Board of education	36,341	24,305	(36,341)	(24,305)
Administration	1,151,609	1,201,050	(1,102,898)	(1,168,064)
Fiscal	362,524	351,465	(362,524)	(351,465)
Operation and maintenance of plant	1,023,291	1,019,447	(1,022,591)	(1,018,747)
Pupil transportation	538,190	746,270	(538,190)	(710,768)
Central	187,620	108,836	(182,620)	(103,836)
Operation non-instructional services	562,757	497,297	(84,117)	39,232
Extracurricular activities	400,541	430,542	(135,665)	(198,753)
Interest and fiscal charges	32,033	-	(32,033)	-
Total	<u>\$ 14,257,419</u>	<u>\$ 13,550,804</u>	<u>\$ (11,687,976)</u>	<u>\$ (11,244,190)</u>

Wellington Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year June 30, 2011

Unaudited

The dependence upon tax revenues for governmental activities is apparent. The net cost of the programs of \$11,687,976 was supported by mostly by property taxes and unrestricted grants. Program revenues totaled \$2,569,443 accounting for 18.1% 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 \$15,285,125 and total expenditures and other financing uses were \$14,626,149. The total governmental funds balance increased by \$658,976, the School District continues to be financially stable with a total governmental fund balance of \$5,848,261 at year-end. Table 4 shows fiscal year 2011 fund balances compared to fiscal year 2010.

Table 4

Fund Balances

	Fund Balance June 30, 2011	Restated Fund Balance June 30, 2010	Increase/ (Decrease)	Percent Change
General	\$ 3,787,954	\$ 3,886,147	\$ (98,193)	(2.53)
Building improvements	1,049,444	1,185,250	(135,806)	(11.46)
Other governmental	<u>1,010,863</u>	<u>117,888</u>	<u>892,975</u>	<u>(757.48)</u>
Total	<u>\$ 5,848,261</u>	<u>\$ 5,189,285</u>	<u>\$ 658,976</u>	<u>12.70</u>

General Fund

The net change in fund balance for the fiscal year was significant in the general fund reporting a fund balance of \$3,787,954, a decrease of \$98,193 from 2010. This decrease was attributable to an increase in expenditures. This increase in expenditures was primarily due to an \$864,466 increase in regular instruction.

Wellington Exempted Village School District*Management's Discussion and Analysis**For the Fiscal Year June 30, 2011**Unaudited*

Table 5
General Fund Changes in Revenues and Expenditures

	2011 Amount	2010 Amount	Increase (Decrease)	Percent Change
<u>Revenues:</u>				
Property taxes	\$ 3,820,666	\$ 3,540,530	\$ 280,136	7.91%
Income taxes	1,656,233	1,561,541	94,692	6.06%
Intergovernmental	6,123,399	6,300,425	(177,026)	-2.81%
Interest	5,775	2,577	3,198	124.10%
Tuition and fees	456,843	422,481	34,362	8.13%
Extracurricular activities	109,152	36,597	72,555	198.25%
Gifts and donations	23,601	25	23,576	0.00%
Charges for services	30,481	-	30,481	0.00%
Rent	700	700	-	0.00%
Payments in lieu of taxes	5,120	8,823	(3,703)	-41.97%
Miscellaneous	30,600	12,069	18,531	153.54%
Total revenues	<u>12,262,570</u>	<u>11,885,768</u>	<u>376,802</u>	
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,511,600	5,647,134	864,466	15.31%
Special	1,142,300	1,174,234	(31,934)	-2.72%
Vocational	93,388	86,382	7,006	8.11%
Adult/continuing	257	-	257	0.00%
Support services:				
Pupils	467,794	446,316	21,478	4.81%
Instructional staff	486,869	476,229	10,640	2.23%
Board of education	36,341	24,305	12,036	49.52%
Administration	1,108,425	1,148,596	(40,171)	-3.50%
Fiscal	352,425	358,372	(5,947)	-1.66%
Operation and maintenance of plant	998,515	1,007,519	(9,004)	-0.89%
Pupil transportation	491,582	629,475	(137,893)	-21.91%
Central	180,913	105,593	75,320	71.33%
Operation of non-instructional services	42,709	162	42,547	0.00%
Extracurricular	233,831	251,981	(18,150)	-7.20%
Capital outlay	48,880	16,208	32,672	201.58%
Debt service:				
Bond issuance costs	20,748	-	20,748	0.00%
Total expenditures	<u>\$ 12,216,577</u>	<u>\$ 11,372,506</u>	<u>\$ 844,071</u>	

Wellington Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year June 30, 2011

Unaudited

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.

During the course of fiscal year 2011, 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 \$12,082,002 representing an increase of \$468,811 from the original budget estimate of \$11,613,191. Most of this difference is not related to any one particular item. Actual revenue for the general fund was \$12,005,770, a decrease of \$76,232 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 \$3,585,793.

The difference between the original budget appropriations and the final amended budget appropriations of the general fund were approximately \$1,333,316. Most of the increase occurred in instruction, which amounted to \$830,051. Actual expenditures, including encumbrances and other financing uses were under budget by \$387,518. This was the result of conservative spending by the School District.

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 2011, the School District had \$4,360,926 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. Table 6 shows fiscal year 2011 values compared to 2010.

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

	Governmental Activities	
	<u>2011</u>	<u>2010</u>
Land	\$ 1,430,520	\$ 1,430,520
Land improvements	345,352	368,971
Buildings and improvements	2,054,211	1,959,007
Furniture and equipment	309,101	273,184
Vehicles	<u>221,742</u>	<u>217,991</u>
Total capital assets	<u>\$ 4,360,926</u>	<u>\$ 4,249,673</u>

Wellington Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year June 30, 2011

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 9.

B. Debt Administration

At June 30, 2011, the School District had \$1,046,000 in bonds outstanding with \$66,000 due within one year. Table 7 summarizes the bonds outstanding:

Table 7
Outstanding Debt, at Fiscal Year End
Governmental Activities

	<u>2011</u>	<u>2010</u>
2011 Energy Conservation Bonds	\$ 1,046,000	\$ -

During the fiscal year, the School District issued \$1,046,000 in energy conservation bonds in the form of federally taxable direct payment qualified school construction bonds at an interest rate of 6%. These bonds were issued to fund energy conservation related projects within the School District. See Note 15 to the basic financial statements for details on the School District's long-term obligations.

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.

Wellington Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year June 30, 2011

Unaudited

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.

Wellington Exempted Village School District

Statement of Net Assets

June 30, 2011

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 5,152,369
Cash and cash equivalents:	
In segregated accounts	1,027,177
Inventory held for resale	18,599
Materials and supplies inventory	1,429
Receivables:	
Accounts	61,421
Intergovernmental	250,423
Property taxes	4,207,184
Income taxes	638,433
Prepaid items	35,598
Deferred charges	35,358
Capital assets:	
Nondepreciable capital assets, net	1,430,520
Depreciable capital assets, net	2,930,406
Total capital assets	<u>4,360,926</u>
Total assets	<u>15,788,917</u>
<u>Liabilities:</u>	
Accounts payable	106,986
Accrued wages	1,111,025
Intergovernmental payable	337,456
Accrued interest payable	5,230
Deferred revenue	3,670,495
Long-term liabilities:	
Due within one year	327,895
Due in more than one year	1,687,346
Total liabilities	<u>7,246,433</u>
<u>Net assets:</u>	
Invested in capital assets	4,360,926
Restricted for:	
Capital projects	1,030,621
Debt service	14,478
Other purposes	177,981
Unrestricted	<u>2,958,478</u>
Total net assets	<u>\$ 8,542,484</u>

See accompanying notes to the basic financial statements.

Wellington Exempted Village School District

Statement of Activities

For the Fiscal Year Ended June 30, 2011

	Program Revenues			Net (Expense) Revenues and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$ 7,028,118	\$ 423,563	\$ 540,584	\$ 17,100	\$ (6,046,871)
Special	1,432,749	33,263	336,496	-	(1,062,990)
Vocational	98,672	-	4,000	-	(94,672)
Adult/continuing	257	-	48,669	-	48,412
Support services:					
Pupils	525,699	-	-	-	(525,699)
Instructional staff	877,018	-	367,841	-	(509,177)
Board of education	36,341	-	-	-	(36,341)
Administration	1,151,609	36,604	12,107	-	(1,102,898)
Fiscal	362,524	-	-	-	(362,524)
Operation and maintenance of plant	1,023,291	700	-	-	(1,022,591)
Pupil transportation	538,190	-	-	-	(538,190)
Central	187,620	-	5,000	-	(182,620)
Operation of non-instructional services	562,757	220,507	258,133	-	(84,117)
Extracurricular activities	400,541	235,964	28,912	-	(135,665)
Interest and fiscal charges	32,033	-	-	-	(32,033)
Total governmental activities	<u>\$ 14,257,419</u>	<u>\$ 950,601</u>	<u>\$ 1,601,742</u>	<u>\$ 17,100</u>	<u>(11,687,976)</u>

General Revenues:

Property taxes levied for:

General purposes

3,842,826

Income Taxes Levied for:

General Purposes

1,656,233

Grants and entitlements not restricted to specific programs

6,120,742

Payment in Lieu of Taxes

5,120

Investment earnings

6,748

Miscellaneous

36,989

Total general revenues

11,668,658

Change in net assets

(19,318)

Net assets, beginning of year

8,561,802

Net assets, end of year

\$ 8,542,484

See accompanying notes to the basic financial statements.

Wellington Exempted Village School District

Balance Sheet

Governmental Funds

June 30, 2011

	General	Building Improvement	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 3,862,633	\$ 1,049,444	\$ 240,292	\$ 5,152,369
Cash and cash equivalents:				
In segregated accounts	-	-	1,027,177	1,027,177
Inventory held for resale	-	-	18,599	18,599
Materials and supplies inventory	-	-	1,429	1,429
Receivables:				
Accounts	61,421	-	-	61,421
Intergovernmental	2,338	-	248,085	250,423
Interfund	170,000	-	-	170,000
Property taxes	4,207,184	-	-	4,207,184
Income taxes	638,433	-	-	638,433
Prepaid items	35,598	-	-	35,598
Total assets	<u>\$ 8,977,607</u>	<u>\$ 1,049,444</u>	<u>\$ 1,535,582</u>	<u>\$ 11,562,633</u>
<u>Liabilities and fund balances:</u>				
<u>Liabilities:</u>				
Accounts payable	105,408	-	1,578	106,986
Accrued wages	996,494	-	114,531	1,111,025
Interfund payable	-	-	170,000	170,000
Intergovernmental payable	284,178	-	53,278	337,456
Deferred revenue	3,803,573	-	185,332	3,988,905
Total liabilities	<u>5,189,653</u>	<u>-</u>	<u>524,719</u>	<u>5,714,372</u>
<u>Fund balances:</u>				
Nonspendable	35,598	-	20,028	55,626
Restricted	-	1,049,444	1,200,299	2,249,743
Assigned	1,786,784	-	-	1,786,784
Unassigned	1,965,572	-	(209,464)	1,756,108
Total fund balances	<u>3,787,954</u>	<u>1,049,444</u>	<u>1,010,863</u>	<u>5,848,261</u>
Total liabilities and fund balances	<u>\$ 8,977,607</u>	<u>\$ 1,049,444</u>	<u>\$ 1,535,582</u>	<u>\$ 11,562,633</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, 2011

Total governmental fund balances		\$ 5,848,261
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.		4,360,926
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property taxes	\$ 130,433	
Intergovernmental	185,332	
Tuition and fees	2,338	
Miscellaneous	307	
Deferred charges	<u>35,358</u>	
		353,768
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:		
General obligation bonds	\$ (1,046,000)	
Compensated absences	(969,241)	
Accrued interest payable	<u>(5,230)</u>	
Total		<u>(2,020,471)</u>
Net assets of governmental activities		<u><u>\$ 8,542,484</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, 2011

	General	Building Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 3,820,666	\$ -	\$ -	\$ 3,820,666
Income taxes	1,656,233	-	-	1,656,233
Intergovernmental	6,123,399	-	1,365,474	7,488,873
Interest	5,775	-	973	6,748
Tuition and fees	456,843	-	-	456,843
Extracurricular activities	109,152	-	163,879	273,031
Gifts and donations	23,601	-	71,798	95,399
Charges for services	30,481	-	184,971	215,452
Rent	700	-	-	700
Payments in lieu of taxes	5,120	-	-	5,120
Miscellaneous	30,600	-	2,474	33,074
Total revenues	12,262,570	-	1,789,569	14,052,139
Expenditures:				
Current:				
Instruction:				
Regular	6,511,600	1,007	513,464	7,026,071
Special	1,142,300	-	299,182	1,441,482
Vocational	93,388	-	3,600	96,988
Adult/continuing	257	-	-	257
Support services:				
Pupils	467,794	-	48,004	515,798
Instructional staff	486,869	-	386,129	872,998
Board of education	36,341	-	-	36,341
Administration	1,108,425	2,144	21,234	1,131,803
Fiscal	352,425	-	1,500	353,925
Operation and maintenance of plant	998,515	3,369	-	1,001,884
Pupil transportation	491,582	-	1,514	493,096
Central	180,913	-	5,000	185,913
Operation of non-instructional services	42,709	-	504,633	547,342
Extracurricular activities	233,831	-	165,629	399,460
Capital outlay	48,880	229,286	16,878	295,044
Debt service:				
Interest and fiscal charges	-	-	21,617	21,617
Issuance costs	20,748	-	19,796	40,544
Total expenditures	12,216,577	235,806	2,008,180	14,460,563
Excess of revenues over (under) expenditures	45,993	(235,806)	(218,611)	(408,424)
Other financing sources (uses):				
Proceeds of bonds	-	-	1,046,000	1,046,000
Proceeds from sale of capital assets	21,400	-	-	21,400
Transfers in	-	100,000	65,586	165,586
Transfers out	(165,586)	-	-	(165,586)
Total other financing sources (uses)	(144,186)	100,000	1,111,586	1,067,400
Net change in fund balances	(98,193)	(135,806)	892,975	658,976
Fund balances at beginning of year, restated	3,886,147	1,185,250	117,888	5,189,285
Fund balances at end of year	\$ 3,787,954	\$ 1,049,444	\$ 1,010,863	\$ 5,848,261

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, 2011

Net change in fund balances - total governmental funds		\$	658,976
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	\$	295,044	
Capital contributions		17,100	
Capital asset disposals		(30,576)	
Depreciation expense		<u>(170,315)</u>	
Excess of capital outlay over depreciation expense			111,253
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	\$	22,160	
Intergovernmental		146,412	
Tuition and fees		2,338	
Charges for services		(2,355)	
Miscellaneous		<u>307</u>	
Net change in deferred revenues during the year			168,862
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	\$	57,463	
Increase in accrued interest		<u>(5,230)</u>	
Change in inventory			
Total additional expenditures			52,233
The issuance of long-term bonds results in expenditures and other financing sources and uses in the governmental funds, but these transactions are reflected in the statement of net assets as long-term assets and liabilities.			
			(1,005,456)
The amortization of issuance costs is reflected as an expense in the statement of activities.			
Issuance cost	\$	<u>(5,186)</u>	
Total additional expenses			<u>(5,186)</u>
Change in net assets of governmental activities		<u>\$</u>	<u>(19,318)</u>

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, 2011*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 3,550,256	\$ 3,633,526	\$ 3,620,517	\$ (13,009)
Income taxes	1,584,896	1,601,996	1,601,976	(20)
Intergovernmental	5,954,680	6,131,425	6,123,399	(8,026)
Interest	2,760	5,860	5,775	(85)
Tuition and fees	413,606	437,006	396,133	(40,873)
Rent	700	700	700	-
Extracurricular activities	36,597	72,297	72,085	(212)
Gifts and donations	25	8,225	8,200	(25)
Payments in lieu of taxes	8,823	8,823	5,120	(3,703)
Miscellaneous	13,799	31,699	28,519	(3,180)
Total revenues	11,566,142	11,931,557	11,862,424	(69,133)
Expenditures:				
Current:				
Instruction:				
Regular	5,864,558	6,609,159	6,533,189	75,970
Special	1,178,372	1,257,153	1,248,619	8,534
Vocational	86,870	93,539	92,913	626
Support services:				
Pupils	465,692	499,100	480,863	18,237
Instructional staff	501,041	532,865	479,074	53,791
Board of education	32,756	35,967	30,254	5,713
Administration	1,138,949	1,158,419	1,133,859	24,560
Fiscal	366,445	383,471	366,630	16,841
Operation and maintenance of plant	997,359	1,115,777	1,076,960	38,817
Pupil transportation	633,044	569,065	544,504	24,561
Central	173,225	209,672	192,221	17,451
Operation of non-instructional services	162	162	3	159
Extracurricular activities	252,870	244,705	233,865	10,840
Debt service:				
Issuance costs	-	20,800	20,748	52
Total expenditures	11,691,343	12,729,854	12,433,702	296,152
Excess of revenues over (under) expenditures	(125,201)	(798,297)	(571,278)	227,019
Other financing sources (uses):				
Refund of prior year expenditures	22,049	18,749	11,650	(7,099)
Other financing uses	(90)	(4,895)	(2,327)	2,568
Advances in	25,000	131,696	131,696	-
Advances out	(131,696)	(171,696)	(170,000)	1,696
Transfers out	(16,588)	(266,588)	(179,486)	87,102
Total other financing sources (uses)	(101,325)	(292,734)	(208,467)	84,267
Net change in fund balance	(226,526)	(1,091,031)	(779,745)	311,286
Fund balance at beginning of year	4,301,705	4,301,705	4,301,705	-
Prior year encumbrances appropriated	63,833	63,833	63,833	-
Fund balance at end of year	\$ 4,139,012	\$ 3,274,507	\$ 3,585,793	\$ 311,286

See accompanying notes to the basic financial statements.

Wellington Exempted Village School District

Statement of Assets and Liabilities

Agency Funds

June 30, 2011

	<u>Agency</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 29,410
	<u>29,410</u>
<u>Liabilities:</u>	
Accounts payable	\$ 347
Undistributed monies	29,063
	<u>29,063</u>
Total liabilities	\$ 29,410
	<u>29,410</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, 2011

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 70 non-certificated employees and 95 certificated personnel who provide services to 1,411 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 16, 17 and 18 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 policies.

Wellington Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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.

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:

Wellington Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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 improvement 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.

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.

Wellington Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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.

Wellington Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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 2011. 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. 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 an 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 5.

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.

Wellington Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011, 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.

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.

Wellington Exempted Village School District
Notes to the Basic Financial Statements
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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.

L. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted fund balance category includes amounts that can be spent only for the specific purpose stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Wellington Exempted Village School District
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Committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance classifications are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

M. 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.

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.

Wellington Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 2 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	<u>General</u>	<u>Building Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Nonspendable</u>				
Materials and supplies inventory	\$ -	\$ -	\$ 20,028	\$ 20,028
Prepays	<u>35,598</u>	-	-	<u>35,598</u>
Total nonspendable	<u>35,598</u>	-	<u>20,028</u>	<u>55,626</u>
<u>Restricted for</u>				
Scholarships and awards	-	-	505	505
Local grants	-	-	10,616	10,616
Athletics and music	-	-	128,926	128,926
Agricultural education	-	-	400	400
Regular instruction	-	-	10,407	10,407
Child nutrition	-	-	2,560	2,560
Building improvements	-	1,049,444	1,027,177	2,076,621
Debt service payments	-	-	<u>19,708</u>	<u>19,708</u>
Total restricted	<u>-</u>	<u>1,049,444</u>	<u>1,200,299</u>	<u>2,249,743</u>
<u>Assigned</u>				
Public school support	39,717	-	-	39,717
Encumbrances	136,258	-	-	136,258
Next year's appropriation	<u>1,610,809</u>	-	-	<u>1,610,809</u>
Total assigned	<u>1,786,784</u>	-	-	<u>1,786,784</u>
Unassigned (deficit)	<u>1,965,572</u>	-	<u>(209,464)</u>	<u>1,756,108</u>
Total fund balances	<u>\$ 3,787,954</u>	<u>\$ 1,049,444</u>	<u>\$ 1,010,863</u>	<u>\$ 5,848,261</u>

Note 3 – Change in Accounting Principles and Restatement of Fund Balances

For the fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The implementation of GASB Statement No. 54 had the following effect on fund balances of the major and nonmajor funds as they were previously reported.

Wellington Exempted Village School District
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For the Fiscal Year Ended June 30, 2011

	<u>General</u>	<u>Building Improvement</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund balances at June 30, 2010	\$ 3,840,366	\$ 1,185,250	\$ 163,669	\$ 5,189,285
Change in fund structure	<u>45,781</u>	<u>-</u>	<u>(45,781)</u>	<u>-</u>
Restated fund balances at July 1, 2010	<u>\$ 3,886,147</u>	<u>\$ 1,185,250</u>	<u>\$ 117,888</u>	<u>\$ 5,189,285</u>

Note 4 - 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:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
4. Encumbrances are treated as expenditures (budget basis) rather than assigned fund balance (GAAP basis).
5. The revenues, expenditures and other financing sources and uses of the general fund include activity that is budgeted within special revenue funds (GAAP basis). However, on the budgetary basis, the activity of the special revenue funds is excluded resulting in perspective differences.

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

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Net Change in Fund Balance

	<u>General</u>
GAAP basis	\$ (98,193)
Revenue accruals	(272,994)
Advances in	131,696
Expenditure accruals	(149,889)
Advances out	(170,000)
Budgeted as part of special revenue funds:	
Revenues	(136,902)
Transfers from general fund	(13,900)
Expenditures	149,912
Encumbrances (Budget Basis) outstanding at year end	<u>(219,475)</u>
Budget basis	<u>\$ (779,745)</u>

Note 5 - 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;
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;

Wellington Exempted Village School District
Notes to the Basic Financial Statements
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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.

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.

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 \$4,007,250. The School District's bank balance of \$4,027,071 was not exposed to custodial credit risk.

Wellington Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

B. Investments

As of June 30, 2011 the School District had the following investments and maturities:

<u>Investment type</u>	Fair <u>Value</u>	<u>Maturity</u>	<u>Rating</u>
STAROhio	\$ 2,201,706	58.3 ⁽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, 2011.

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.

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in 2010 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Wellington Exempted Village School District
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Tangible personal property tax revenue received during calendar 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Calendar year 2010 is the last year for the collection of tangible personal property taxes from telephone companies. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Lorain County and Huron County. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2011, was \$406,256 in the general fund.

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

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2011 <u>Assessed Value</u>	2010 <u>Assessed Value</u>
Real Property		
Residential and Agricultural	\$ 155,537,010	\$ 154,756,520
Commercial and Industrial	30,832,590	30,718,209
Public Utilities	152,130	127,070
Tangible Personal Property		
General	-	123,543
Public Utilities	<u>7,037,540</u>	<u>4,770,070</u>
Total	<u>\$ 193,559,270</u>	<u>\$ 190,495,412</u>
Tax rate per \$1,000 of of assessed valuation	\$ 59.29	\$ 59.29

Wellington Exempted Village School District
Notes to the Basic Financial Statements
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Note 7 - 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. The debt service fund reported a receivable for a federal reimbursement of interest paid on bonds in the amount of \$19,708. Special revenue funds recorded intergovernmental receivables for state and federal grants and reimbursements in the amount of \$228,377. The general fund reported an intergovernmental receivable for \$2,338 for a special education reimbursement.

Note 8 - Interfund Transactions

Interfund balances at June 30, 2011 consisted of the following:

Due to general fund from:	
Nonmajor governmental funds	\$ 170,000

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2011, all interfund loans outstanding are anticipated to be repaid in fiscal year 2012. 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, 2011 are reported on the statement of net assets.

Interfund transfers for the year ended June 30, 2011, consisted of the following:

Transfers from general fund to:	
Building Improvement fund	\$ 100,000
Nonmajor governmental funds	<u>65,586</u>
	<u>\$ 165,586</u>

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

Wellington Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

<u>Governmental Activities</u>	<u>Balance June 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2011</u>
Capital assets, not being depreciated:				
Land	\$ 1,430,520	\$ -	\$ -	\$ 1,430,520
Capital assets, being depreciated:				
Land improvements	830,625	-	-	830,625
Buildings	6,033,238	147,653	-	6,180,891
Furniture and equipment	890,320	99,491	(46,994)	942,817
Vehicles	<u>752,079</u>	<u>65,000</u>	<u>(53,822)</u>	<u>763,257</u>
Total capital assets, being depreciated	<u>8,506,262</u>	<u>312,144</u>	<u>(100,816)</u>	<u>8,717,590</u>
Less: Accumulated depreciation				
Land improvements	(461,654)	(23,619)	-	(485,273)
Buildings	(4,074,231)	(52,449)	-	(4,126,680)
Furniture and equipment	(617,136)	(39,638)	23,058	(633,716)
Vehicles	<u>(534,088)</u>	<u>(54,609)</u>	<u>47,182</u>	<u>(541,515)</u>
Total accumulated depreciation	<u>(5,687,109)</u>	<u>(170,315)</u>	<u>70,240</u>	<u>(5,787,184)</u>
Total capital assets being depreciated, net	<u>2,819,153</u>	<u>141,829</u>	<u>(30,576)</u>	<u>2,930,406</u>
Governmental activities capital assets, net	<u>\$ 4,249,673</u>	<u>\$ 141,829</u>	<u>\$ (30,576)</u>	<u>\$ 4,360,926</u>

Following the close of the fiscal year, a review of capital asset records and the capitalization policy was conducted by the School District. This review resulted in a change of asset lives and removal of certain fully depreciated assets; this change in estimate amounted to \$54,948. The change in estimate is reflected in the current year increases in accumulated depreciation and an adjustment was made as a reduction in cost and accumulated depreciation of the beginning balances for buildings.

Wellington Exempted Village School District
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* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 89,004
Special	2,998
Vocational	523
Support services:	
Pupil	2,044
Administration	9,177
Fiscal	506
Operation and maintenance of plant	19,782
Pupil transportation	39,009
Operation of non-instructional services	6,191
Extracurricular activities	<u>1,081</u>
Total depreciation expense	<u>\$ 170,315</u>

Note 10 - 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 2011, the School District contracted with a commercial insurance provider for liability, fleet and property insurance coverage. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in 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 11 - 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 25 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
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B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees. Life insurance is provided through a commercial 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 12 - 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 2011, 11.81 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, 2011, 2010 and 2009 were \$227,744, \$266,342 and \$156,211 respectively; 50.00 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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
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For the Fiscal Year Ended June 30, 2011

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, 2011, 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 2011, 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, 2011, 2010, and 2009 were \$767,230, \$775,825, and \$762,190 respectively; 83.5 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$30,633 made by the School District and \$21,881 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, 2011, 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, 2011

Note 13 - 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 2011, 1.43 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 2011, 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, 2011, 2010, and 2009 were \$53,146, \$36,529, and \$98,712 respectively; 69.1 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, 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, 2011, 2010, and 2009 were \$14,656, \$15,839, and \$11,342 respectively; 50.00 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2008 and 2009.

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, 2011

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 2011, 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, 2011, 2010, and 2009 were \$59,017, \$59,679, and \$58,630 respectively; 83.2 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

Note 14 - 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 2011, expenditures for the operating lease totaled \$70,261 following is a schedule of future minimum lease payments as of June 30, 2011:

<u>Fiscal</u> <u>Year</u>	<u>Lease</u> <u>Payments</u>
2012	\$ 68,781
2013	62,083
2014	<u>861</u>
Total minimum lease payments	<u>\$ 131,725</u>

Note 15- Bonded Debt and Other Long-Term Obligations

Changes in debt and long-term obligations of the School District during fiscal year 2011 were as follows:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
Energy Conservation Improvement Bonds 6.0%	\$ -	\$ 1,046,000	\$ -	\$ 1,046,000	\$ 66,000
Compensated absences	<u>1,026,704</u>	<u>249,701</u>	<u>(307,164)</u>	<u>969,241</u>	<u>261,895</u>
Total Long-term Liabilities	<u>\$ 1,026,704</u>	<u>\$ 1,295,701</u>	<u>\$ (307,164)</u>	<u>\$ 2,015,241</u>	<u>\$ 327,895</u>

On January 27, 2011, the School District issued \$1,046,000 in Energy Conservation Bonds with an interest rate of 6.0% for the purpose of purchasing and installing energy conservation measures. The bonds and interest are to be repaid by the debt service fund. The bonds are Qualified School Construction Bonds (QSCB’s) whereas the interest paid on the bonds has been 91.17% subsidized by the federal government. The federal government will remit the interest paid by the schools through a direct pay reimbursement.

Wellington Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

Note 16 - 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 2011, the School District contributed \$62,466 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 17 - 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, 2011

Note 18 – 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 19 - 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, 2011.

Note 20 - Set-Asides

The School District is required by the state law 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 fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years. However, the amount restricted for textbooks and instructional materials will be eliminated following the close of the fiscal year as explained below.

The School District had qualifying disbursements during the fiscal year that reduced the set-aside amount below zero for the textbook set-aside. Effective July 1, 2011, the textbook set aside is no longer required as the obligation was repealed by the 129th General Assembly in Amended Substitute House Bill 30. This balance is therefore not presented as being carried forward to a future fiscal year. Although the School District had qualifying disbursements and current year offsets during the fiscal year that reduced the set-aside amount to below zero for the capital maintenance reserve, this amount may not be used to reduce the set aside requirement for future years. This negative balance is, therefore, not presented as being carried forward to future years.

The following information describes the change in the year-end set-aside amounts for textbooks and capital maintenance.

Wellington Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

	Capital Improvement Reserve	Textbook/ Instructional Materials Reserve
Set-aside reserve balance as of June 30, 2010	\$ -	\$ (336,087)
Current year set-aside requirement	217,160	217,160
Current year offsets	(1,046,000)	-
Qualifying disbursements	<u>(177,282)</u>	<u>(105,196)</u>
 Total	 <u>\$ (1,006,122)</u>	 <u>\$ (224,123)</u>
 Set-aside balance carried forward to future fiscal years	 <u>\$ -</u>	 <u>\$ -</u>

Note 21 - 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 22 - Accountability

As of June 30, 2011, four 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	\$ 48,699
Title VI-B	68,206
Title I	66,102
Improving teacher quality	26,457

WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2011

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-2011	10.553	\$ 31,297	\$ 31,297
National School Lunch Program	045658-LLP4-2011	10.555	145,478	145,478
Direct Program				
Non-Cash Assistance:				
National School Lunch Program (Food Distribution)	n/a	10.555	<u>50,199</u>	<u>50,199</u>
Total Nutrition Cluster			226,974	226,974
Child Nutrition Mini Grant	na	10.574	<u>3,400</u>	<u>590</u>
Total U.S. Department of Agriculture			230,374	227,564
<u><i>U.S. Department of Education</i></u>				
Passed through Ohio Department of Education				
Title I - Financial Assistance to Meet Special Education Needs of Disadvantaged Children				
Title I - ARRA	FY10	84.389	11,184	6,303
Title I - ARRA	FY11	84.389	30,508	58,909
Title I - FY 10	045658-CISI-2010	84.010	31,976	8,962
Title I - FY 11	045658-CISI-2011	84.010	<u>154,409</u>	<u>175,568</u>
Total Title I			228,077	249,742
IDEA - B, Special Education - Assistance to States for Education of Handicapped Children				
IDEA - B ARRA	FY10	84.391	42,392	14,037
IDEA - B ARRA	FY11	84.391	132,303	145,194
IDEA - B - FY 10	045658-6BSF-2010	84.027	97,904	37,842
IDEA - B - FY 11	045658-6BSF-2011	84.027	<u>229,671</u>	<u>244,729</u>
Total IDEA-B, Special Education			502,270	441,802
ARRA-State Fiscal Stabilization Fund (SFSF)	n/a	84.394	439,073	444,738
Drug - Free School Grant	045658-DRSI-2011	84.186	4,505	-
Title II-D Technology				
Title II-D FY 10	045658-TJSI-2010	84.318	139	-
Title II-D FY 11	045658-TJSI-2011	84.318	<u>577</u>	<u>577</u>
Total II-D Technology			716	577
Title II-A Improving Teacher Quality State Grants				
Title II-A FY 10	045658-TRSI-2010	84.367	15,928	6,687
Title II-A FY 11	045658-TRSI-2011	84.367	<u>59,773</u>	<u>82,403</u>
Total Title II-A			<u>75,701</u>	<u>89,090</u>
Total U.S. Department of Education			<u>1,250,342</u>	<u>1,225,949</u>
Total Federal Receipts and Expenditures			<u>\$ 1,480,716</u>	<u>\$ 1,453,513</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, 2011

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 food commodities in inventory recorded in the Food Service Fund.

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

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, (District), Lorain County, Ohio, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 23, 2011, wherein we noted the District implemented Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". 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.

Internal Controls 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 auditing 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.

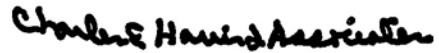
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies 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 such 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.

A handwritten signature in black ink that reads "Charles E. Harris" followed by "Associates" in a smaller, less legible script.

Charles E. Harris and Associates, Inc.

December 23, 2011

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

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH 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 Wellington Exempted Village School District, Lorain County, Ohio's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. 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 contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the Wellington Exempted Village School District, Lorain County, Ohio complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance


Management of the Wellington Exempted Village School District, Lorain County, Ohio, 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 internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 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.

However, we noted certain matters involving federal compliance not requiring inclusion in this report, that we have reported to management of the District in a separate letter dated December 23, 2011.

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



CHARLES E. HARRIS & ASSOCIATES, INC.

December 23, 2011

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

**WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY
June 30, 2011**

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>	IDEA-B CFDA #84.027 IDEA-B ARRA CFDA #84.391 State Fiscal 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, 2011

**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, 2011**

SCHEDULE OF PRIOR AUDIT FINDINGS

The audit report, for the year ending June 30, 2010 reported no material citations or recommendations.

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Certified Public Accountants

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

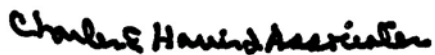
Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Wellington Exempted Village School District has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We noted the Board of Education amended its anti-harassment policy at its meeting on March 15, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management and the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.



Charles E. Harris & Associates, Inc.
December 23, 2011

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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 29, 2012