

Mary Taylor, CPA
Auditor of State

VILLAGE OF WELLINGTON
LORAIN COUNTY

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LORAIN COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Wellington
Lorain County
115 Willard Memorial Square
Wellington, Ohio 44090

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Wellington, Lorain County, Ohio (the Village), as of and for the years ended December 31, 2005 and December 31, 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Wellington, Lorain County, Ohio, as of December 31, 2005 and December 31, 2004, and the respective changes in cash financial position and the respective budgetary comparison for the General and the Railroad Grade Crossing Improvement Fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the years ended December 31, 2005 and December 31, 2004, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and

the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 1, 2008

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED

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

Financial Highlights

Key highlights for 2005 are as follows

Net assets of governmental activities increased \$ 318,343 or 19.9 percent over 2004. This was primarily the result of a \$ 289,161 increase in fund balance in the Capital Improvements Fund and increases of \$ 54,680 and \$ 5,189 in the General Fund and the Railroad Crossing Improvement Fund, respectively. The total increase was offset by a decrease of \$ 30,687 in Other Governmental Funds.

The Village's general receipts are primarily municipal income taxes and intergovernmental revenue. These receipts represent respectively 44.6 percent and 22.6 percent of the total receipts for governmental activities during the year. Property tax receipts for 2005 changed very little compared to 2004 as development within the Village has slowed.

Net assets of business-type activities decreased \$ 630,481 or 15.2 percent from 2004. This was primarily the result a decrease of \$ 754,798 in net assets of the Electric Fund. The Electric Fund acquired three parcels of property totaling \$ 470,000. Net assets in the Water Fund and Other Enterprise Funds increased by \$ 45,835 and \$ 99,458, respectively. Sewer Fund net assets decreased by \$ 20,976.

Using the Basic Financial Statements

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

Report Components

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

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

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

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
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Basis of Accounting

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

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

Government-wide Financial Statements

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

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

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities - Most of the Village's basic services are reported here, including police, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity - The Village has several business-type activities; most significantly the provision of water, sewer, and electricity operations. Business-type activities are financed by a fee charged to the customers receiving the service.

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED

Fund Financial Statements

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

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

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village's significant proprietary funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major proprietary funds are the Water Fund, Sewer Fund and Electric Fund.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs. The Village's agency funds include the Cable TV Escrow Fund and the Fire Loss Escrow Fund.

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2005 compared to 2004 on a cash basis:

Table 1
Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets						
Equity in pooled cash and cash equivalents	\$ 1,914,862	\$ 1,596,519	\$ 3,515,167	\$ 4,145,648	\$ 5,430,029	\$ 5,742,167
Total assets	<u>\$ 1,914,862</u>	<u>\$ 1,596,519</u>	<u>\$ 3,515,167</u>	<u>\$ 4,145,648</u>	<u>\$ 5,430,029</u>	<u>\$ 5,742,167</u>
Net assets						
Restricted for:						
Capital projects	\$ 497,381	\$ 208,220	\$ -	\$ -	\$ 497,381	\$ 208,220
Debt service	82,047	87,004	-	-	82,047	87,004
Other purposes	667,238	687,779	-	-	667,238	687,779
Unrestricted	668,196	613,516	3,515,167	4,145,648	4,183,363	4,759,164
Total net assets	<u>\$ 1,914,862</u>	<u>\$ 1,596,519</u>	<u>\$ 3,515,167</u>	<u>\$ 4,145,648</u>	<u>\$ 5,430,029</u>	<u>\$ 5,742,167</u>

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED

As mentioned previously, net assets of governmental activities increased \$ 318,343 or 19.9 percent during 2005. A contributing factor for this increase was a \$ 400,000 CDBG Main Street Grant.

Table 2 reflects the changes in net assets in 2005 compared to 2004 on a cash basis.

Table 2
Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Receipts						
Program receipts						
Charges for services	\$ 206,142	\$ 336,713	\$ 7,634,769	\$ 6,478,511	\$ 7,840,911	\$ 6,815,224
Operating grants and contributions	62,119	73,231	-	-	62,119	73,231
Capital grants and contributions	237,836	731,823	33,750	48,350	271,586	780,173
Total program receipts	<u>506,097</u>	<u>1,141,767</u>	<u>7,668,519</u>	<u>6,526,861</u>	<u>8,174,616</u>	<u>7,668,628</u>
General receipts						
Property and other local taxes	323,681	323,059	-	-	323,681	323,059
Municipal income taxes	1,356,332	1,300,810	-	-	1,356,332	1,300,810
Grants and entitlements	687,706	650,368	-	-	687,706	650,368
Notes issued	-	-	860,268	1,329,164	860,268	1,329,164
Sale of capital assets	-	155,164	-	-	-	155,164
Interest	159,883	33,699	143	34	160,026	33,733
Other	10,401	19,835	-	-	10,401	19,835
Total general receipts	<u>2,538,003</u>	<u>2,482,935</u>	<u>860,411</u>	<u>1,329,198</u>	<u>3,398,414</u>	<u>3,812,133</u>
Total receipts	<u>3,044,100</u>	<u>3,624,702</u>	<u>8,528,930</u>	<u>7,856,059</u>	<u>11,573,030</u>	<u>11,480,761</u>

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED

Table 2
Change in Net Assets
(Continued)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Program cash disbursements						
General government	\$ 371,229	\$ 386,277	\$ -	\$ -	\$ 371,229	\$ 386,277
Security of persons and property	791,563	765,193	-	-	791,563	765,193
Public health services	50,420	10,470	-	-	50,420	10,470
Leisure time activities	46,620	48,688	-	-	46,620	48,688
Community environment	120,334	139,815	-	-	120,334	139,815
Transportation	774,374	705,726	-	-	774,374	705,726
Capital outlay	493,500	1,121,103	-	-	493,500	1,121,103
Principal	59,627	61,272	-	-	59,627	61,272
Interest	18,090	25,976	-	-	18,090	25,976
Water	-	-	665,325	896,015	665,325	896,015
Sewer	-	-	1,663,940	1,753,425	1,663,940	1,753,425
Electric	-	-	6,564,013	5,024,702	6,564,013	5,024,702
Refuse	-	-	218,784	235,855	218,784	235,855
Other	-	-	47,349	175,395	47,349	175,395
Total program disbursements	<u>2,725,757</u>	<u>3,264,520</u>	<u>9,159,411</u>	<u>8,085,392</u>	<u>11,885,168</u>	<u>11,349,912</u>
Transfers	-	(170,000)	-	170,000	-	-
Increase (decrease) in net assets	318,343	190,182	(630,481)	(59,333)	(312,138)	130,849
Net assets, at beginning of year	1,596,519	1,406,337	4,145,648	4,204,981	5,742,167	5,611,318
Net assets, at end of year	<u>\$ 1,914,862</u>	<u>\$ 1,596,519</u>	<u>\$ 3,515,167</u>	<u>\$ 4,145,648</u>	<u>\$ 5,430,029</u>	<u>\$ 5,742,167</u>

Governmental Activities

Program receipts represent 16.6 percent of total receipts and are primarily comprised of capital grants and contributions and charges for services.

General receipts represent 83.4 percent of the Village's total receipts of governmental activities, and of this amount, over 66.2 percent are local taxes. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for general government represent the overhead costs of running the village and the support services provided for the other village activities. These include the costs of council, and the clerk-treasurer, and income tax departments, as well as internal services such as payroll and purchasing.

Security of persons and property are the costs of police protection; public health services is the health department; leisure time activities are the costs of maintaining the parks and playing fields; the economic development department promotes the village to industry and commerce as well as working with other governments in the area to attract new business; and transportation is the cost of maintaining the roads.

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
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If you look at the Statement of Activities on page 12, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property and transportation which account for 29.0 and 28.4 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 13.6 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Table 3
Governmental Activities

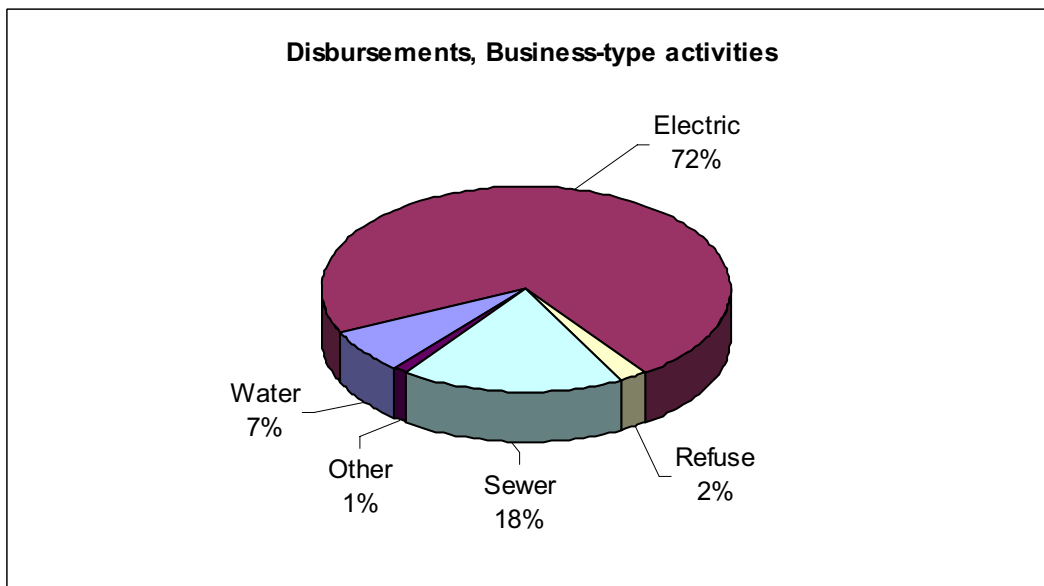
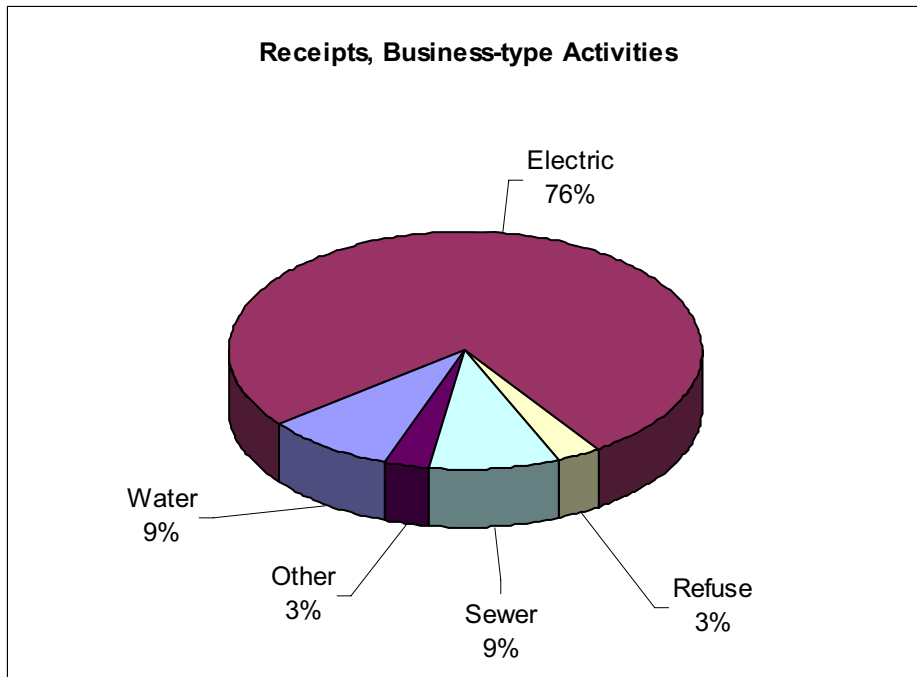
	Total Cost of Services	Net Cost of Services
Governmental activities		
General government	\$ 371,229	\$ 255,084
Security of persons and property	791,563	749,786
Public health services	50,420	6,220
Leisure time activities	46,620	32,596
Community environment	120,334	74,380
Transportation	774,374	695,331
Capital outlay	493,500	328,546
Principal	59,627	59,627
Interest and fiscal charges	18,090	18,090
Total governmental activities	\$ 2,725,757	\$ 2,219,660

The dependence upon property and income tax receipts is apparent as 61.6 percent of governmental activities are supported through these general receipts.

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
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Business-type Activities

Charges for services is the primary source of receipts for the business-type activities. Program cash receipts were \$ 1,141,658 higher in 2005. Disbursements for both sewer and electric operations exceeded their operating receipts.



VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
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The Village's Funds

Total governmental funds had receipts of \$ 3,044,100 and disbursements of \$ 2,725,787. General Fund receipts were more than disbursements by \$ 54,680. The greatest change within governmental funds occurred within the Capital Improvements Fund. The fund balance of the Capital Improvements fund increased \$ 289,161.

General Fund Budgeting Highlights

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

During 2005, the Village amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts primarily due to increases in estimated receipts of municipal income tax and miscellaneous sources. Actual receipts were less than final budget amounts for all sources except interest and contributions.

Final disbursements were budgeted at \$ 2,484,000 while actual disbursements were \$ 2,157,564.

Capital Assets

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

Debt

Outstanding debt obligations of the Village consisted of:

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
OWDA loan	\$ -	\$ -	\$ 4,930,058	\$ 4,226,599	\$ 4,930,058	\$ 4,226,599
Bonds						
General obligation	-	-	-	190,000	-	190,000
Special assessment	282,199	328,199	-	-	282,199	328,199
OPWC loan	190,772	204,399	129,312	140,318	320,084	344,717
	<u>\$ 472,971</u>	<u>\$ 532,598</u>	<u>\$ 5,059,370</u>	<u>\$ 4,556,917</u>	<u>\$ 5,532,341</u>	<u>\$ 5,089,515</u>

The OWDA loan relates to water, sewer and storm sewer projects. The general obligation bonds are for improvements to the Village's electric utility. OPWC loans financed waterline improvements and replacements. The special assessment bonds were issued for street construction. For further information regarding the Village's debt, refer to Note 10 to the basic financial statements.

Current Issues

The Village will obtain additional OWDA loans to fund the construction of two water tanks and improvements to the wastewater treatment plant.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Karen Webb, Clerk-Treasurer, Village of Wellington, 115 Willard Memorial Square, Wellington, Ohio 44090.

VILLAGE OF WELLINGTON
LORAIN COUNTY
STATEMENT OF NET ASSETS
DECEMBER 31, 2005

	Governmental Activities	Business-type Activities	Total
Assets			
Equity in pooled cash and cash equivalents	\$ 1,914,862	\$ 3,515,167	\$ 5,430,029
Total assets	\$ 1,914,862	\$ 3,515,167	\$ 5,430,029
Net assets			
Restricted for:			
Capital projects	\$ 497,381	\$ -	\$ 497,381
Debt service	82,047	-	82,047
Highways and streets	635,282	-	635,282
Recreation	31,956	-	31,956
Unrestricted	668,196	3,515,167	4,183,363
Total net assets	\$ 1,914,862	\$ 3,515,167	\$ 5,430,029

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON
LORAIN COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

	Cash Disbursements	Program Cash Receipts		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 371,229	\$ 116,145	\$ -	\$ -
Security of persons and property	791,563	26,457	15,320	-
Public health services	50,420	44,200	-	-
Leisure time activities	46,620	13,179	845	-
Community environment	120,334	-	45,954	-
Transportation	774,374	-	-	79,043
Capital outlay	493,500	6,161	-	158,793
Principal	59,627	-	-	-
Interest and fiscal charges	18,090	-	-	-
Total governmental activities	<u>2,725,757</u>	<u>206,142</u>	<u>62,119</u>	<u>237,836</u>
Business-type activities				
Water	665,325	690,910	-	20,250
Sewer	1,663,940	656,628	-	13,500
Electric	6,564,013	5,809,215	-	-
Refuse	218,784	240,110	-	-
Other	47,349	237,906	-	-
Total business-type activities	<u>9,159,411</u>	<u>7,634,769</u>	<u>-</u>	<u>33,750</u>
Total	<u>\$ 11,885,168</u>	<u>\$ 7,840,911</u>	<u>\$ 62,119</u>	<u>\$ 271,586</u>

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

Transfers

Total general receipts and transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

See accompanying notes to the basic financial statements.

Net (Disbursements) Receipts and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (255,084)	\$ -	\$ (255,084)
(749,786)	-	(749,786)
(6,220)	-	(6,220)
(32,596)	-	(32,596)
(74,380)	-	(74,380)
(695,331)	-	(695,331)
(328,546)	-	(328,546)
(59,627)	-	(59,627)
(18,090)	-	(18,090)
<u>(2,219,660)</u>	<u>-</u>	<u>(2,219,660)</u>
-	45,835	45,835
-	(993,812)	(993,812)
-	(754,798)	(754,798)
-	21,326	21,326
-	190,557	190,557
-	(1,490,892)	(1,490,892)
<u>(2,219,660)</u>	<u>(1,490,892)</u>	<u>(3,710,552)</u>
323,681	-	323,681
1,356,332	-	1,356,332
687,706	-	687,706
-	860,268	860,268
159,883	143	160,026
10,401	-	10,401
<u>2,538,003</u>	<u>860,411</u>	<u>3,398,414</u>
-	-	-
<u>2,538,003</u>	<u>860,411</u>	<u>3,398,414</u>
318,343	(630,481)	(312,138)
<u>1,596,519</u>	<u>4,145,648</u>	<u>5,742,167</u>
<u>\$ 1,914,862</u>	<u>\$ 3,515,167</u>	<u>\$ 5,430,029</u>

VILLAGE OF WELLINGTON
LORAIN COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES -
GOVERNMENTAL FUNDS
DECEMBER 31, 2005

	General Fund	Railroad Grade Crossing Improvement Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in pooled cash and cash equivalents	\$ 668,196	\$ 415,900	\$ 497,381	\$ 333,385	\$ 1,914,862
Total assets	\$ 668,196	\$ 415,900	\$ 497,381	\$ 333,385	\$ 1,914,862
Fund balances					
Reserved for encumbrances	139,015	-	101,075	31,841	271,931
Unreserved reported in:					
General fund	529,181	-	-	-	529,181
Special revenue funds	-	415,900	-	219,497	635,397
Debt service funds	-	-	-	82,047	82,047
Capital projects	-	-	396,306	-	396,306
Total net assets	\$ 668,196	\$ 415,900	\$ 497,381	\$ 333,385	\$ 1,914,862

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON
LORAIN COUNTY

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

FOR THE YEAR ENDED DECEMBER 31, 2005

	General	Railroad Grade Crossing Improvement Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Municipal income tax	\$ 1,017,245	\$ -	\$ 339,087	\$ -	\$ 1,356,332
Property and other taxes	323,681	-	-	-	323,681
Special assessments	-	-	-	79,043	79,043
Charges for services	38,240	-	2,165	57,379	97,784
Fines, licenses and permits	61,259	-	-	-	61,259
Intergovernmental	489,611	-	158,793	260,214	908,618
Interest	149,689	5,189	-	5,005	159,883
Contributions and donations	16,035	-	-	-	16,035
Miscellaneous	37,469	-	3,996	-	41,465
Total revenues	<u>2,133,229</u>	<u>5,189</u>	<u>504,041</u>	<u>401,641</u>	<u>3,044,100</u>
Expenditures					
Current					
General government	371,229	-	-	-	371,229
Security of persons and property	768,928	-	-	22,635	791,563
Public health services	6,220	-	-	44,200	50,420
Leisure time activities	34,044	-	-	12,576	46,620
Community environment	120,334	-	-	-	120,334
Transportation	669,752	-	-	104,622	774,374
Capital outlay	108,042	-	214,880	170,578	493,500
Debt service					
Principal	-	-	-	59,627	59,627
Interest and fiscal charges	-	-	-	18,090	18,090
Total disbursements	<u>2,078,549</u>	<u>-</u>	<u>214,880</u>	<u>432,328</u>	<u>2,725,757</u>
Net change in fund balances	54,680	5,189	289,161	(30,687)	318,343
Fund balances at beginning of year	<u>613,516</u>	<u>410,711</u>	<u>208,220</u>	<u>364,072</u>	<u>1,596,519</u>
Fund balances at end of year	<u>\$ 668,196</u>	<u>\$ 415,900</u>	<u>\$ 497,381</u>	<u>\$ 333,385</u>	<u>\$ 1,914,862</u>

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON
LORAIN COUNTY

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

FOR THE YEAR ENDED DECEMBER 31, 2005

	GENERAL FUND			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Revenues				
Municipal income tax	\$ 1,089,005	\$ 1,300,000	\$ 1,017,245	\$ (282,755)
Property and other taxes	325,829	350,000	323,681	(26,319)
Charges for services	50,262	60,000	38,240	(21,760)
Fines, licenses and permits	77,068	92,000	61,259	(30,741)
Intergovernmental	443,141	529,000	489,611	(39,389)
Interest	67,016	80,000	149,689	69,689
Contributions and donations	4,188	5,000	16,035	11,035
Miscellaneous	395,393	472,000	37,469	(434,531)
Total revenues	<u>2,451,902</u>	<u>2,888,000</u>	<u>2,133,229</u>	<u>(754,771)</u>
Expenditures				
Current				
General government	433,440	447,120	399,162	47,958
Security of persons and property	866,880	894,240	798,323	95,917
Public health services	24,080	24,840	22,176	2,664
Leisure time activities	48,160	49,680	44,351	5,329
Community environment	144,480	149,040	133,054	15,986
Transportation	770,560	794,880	709,620	85,260
Capital outlay	120,400	124,200	110,878	13,322
Total disbursements	<u>2,408,000</u>	<u>2,484,000</u>	<u>2,217,564</u>	<u>266,436</u>
Net change in fund balances	43,902	404,000	(84,335)	(488,335)
Prior year encumbrances appropriated	120,607	120,607	120,607	-
Fund balance at beginning of year	492,909	492,909	492,909	-
Fund balance at end of year	<u>\$ 657,418</u>	<u>\$ 1,017,516</u>	<u>\$ 529,181</u>	<u>\$ (488,335)</u>

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON
LORAIN COUNTY

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

FOR THE YEAR ENDED DECEMBER 31, 2005

RAILROAD GRADE CROSSING IMPROVEMENT FUND

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest	\$ 13,000	\$ 13,000	\$ 5,189	\$ (7,811)
Total revenues	<u>13,000</u>	<u>13,000</u>	<u>5,189</u>	<u>(7,811)</u>
Prior year encumbrances appropriated	-	-	-	-
Fund balance at beginning of year	<u>410,711</u>	<u>410,711</u>	<u>410,711</u>	<u>-</u>
Fund balance at end of year	<u>\$ 423,711</u>	<u>\$ 423,711</u>	<u>\$ 415,900</u>	<u>\$ (7,811)</u>

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON
LORAIN COUNTY
STATEMENT OF FUND NET ASSETS – CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2005

	Water	Sewer	Electric	Other Enterprise Funds	Total Enterprise Funds
Assets					
Equity in pooled cash and cash equivalents	\$ 418,425	\$ 1,363,867	\$ 1,480,581	\$ 252,294	\$ 3,515,167
Total assets	<u>\$ 418,425</u>	<u>\$ 1,363,867</u>	<u>\$ 1,480,581</u>	<u>\$ 252,294</u>	<u>\$ 3,515,167</u>
Net assets					
Unrestricted	\$ 418,425	\$ 1,363,867	\$ 1,480,581	\$ 252,294	\$ 3,515,167
Total net assets	<u>\$ 418,425</u>	<u>\$ 1,363,867</u>	<u>\$ 1,480,581</u>	<u>\$ 252,294</u>	<u>\$ 3,515,167</u>

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON
LORAIN COUNTY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND NET ASSETS – PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Water	Sewer	Electric	Other Enterprise Funds	Total Enterprise Funds
Operating receipts					
Charges for services	\$ 689,551	\$ 796,788	\$ 5,627,051	\$ 331,393	\$ 7,444,783
Interest	-	-	-	143	143
Miscellaneous	1,359	827	182,164	5,636	189,986
Total operating receipts	<u>690,910</u>	<u>797,615</u>	<u>5,809,215</u>	<u>337,172</u>	<u>7,634,912</u>
Operating disbursements					
Personal services	333,007	257,242	856,890	-	1,447,139
Travel transportation	1,384	473	3,304	-	5,161
Contractual services	32,484	42,726	4,721,370	255,822	5,052,402
Materials and supplies	113,765	75,713	245,158	8,102	442,738
Capital outlay	99,524	917,612	542,365	2,209	1,561,710
Total operating disbursements	<u>580,164</u>	<u>1,293,766</u>	<u>6,369,087</u>	<u>266,133</u>	<u>8,509,150</u>
Operating income (loss)	<u>110,746</u>	<u>(496,151)</u>	<u>(559,872)</u>	<u>71,039</u>	<u>(874,238)</u>
Non-operating receipts/disbursements					
Principal paid	(30,952)	(136,863)	(190,000)	-	(357,815)
Interest and fiscal charges	(54,209)	(233,311)	(4,926)	-	(292,446)
Notes issued	-	860,268	-	-	860,268
Total non-operating receipts/disbursements	<u>(85,161)</u>	<u>490,094</u>	<u>(194,926)</u>	<u>-</u>	<u>210,007</u>
Income (loss) before transfers and advances	25,585	(6,057)	(754,798)	71,039	(664,231)
Capital contributions - tap fees	<u>20,250</u>	<u>13,500</u>	<u>-</u>	<u>-</u>	<u>33,750</u>
Change in net assets	45,835	7,443	(754,798)	71,039	(630,481)
Net assets at beginning of year	<u>372,590</u>	<u>1,356,424</u>	<u>2,235,379</u>	<u>181,255</u>	<u>4,145,648</u>
Net assets at end of year	<u>\$ 418,425</u>	<u>\$ 1,363,867</u>	<u>\$ 1,480,581</u>	<u>\$ 252,294</u>	<u>\$ 3,515,167</u>

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON
LORAIN COUNTY
STATEMENT OF NET ASSETS –
FIDUCIARY FUNDS
DECEMBER 31, 2005

	Agency
Assets	
Equity in pooled cash and cash equivalents	\$ 10,990
Total assets	10,990
 Net assets	
Unrestricted	10,990
Total net assets	\$ 10,990

See accompanying notes to the basic financial statements.

VILLAGE OF WELLINGTON
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 1 – REPORTING ENTITY

The Village of Wellington, Lorain County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly elected six-member Council.

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

A. PRIMARY GOVERNMENT

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services.

B. COMPONENT UNITS

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

C. JOINTLY GOVERNED ORGANIZATIONS

The Village is associated with the South Lorain County Ambulance District, Wellington Community Fire District, Wellington Union Cemetery, Lorain County Rural Wastewater District (LORCO), South Lorain County Historical Society, and Wellington Community Improvement Corporation. These organizations and their relationships with the Village are described in more detail in Note 12 of these financial statements.

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

D. JOINT VENTURE WITH EQUITY INTEREST

Ohio Municipal Electric Generation Agency Joint Venture 1 (Omega JV-1) – The Village is a participant with twenty-one subdivisions within the State of Ohio in a joint venture to provide supplemental reserve electric power to the participants on a cooperative basis. The Omega JV-1 was created for that purpose. The Omega JV-1 is managed by AMP-Ohio, which acts as the joint venture's agent. See Note 13 of these financial statements.

Ohio Municipal Electric Generation Agency Joint Venture 5 (Omega JV-5) – The Village is a participant with forty-two subdivisions within the State of Ohio in a joint venture to construct a hydroelectric plant and associated transmission facilities in West Virginia on the Ohio River at the Belleville Locks and Dam and receive electricity from its operation. The Omega JV-5 was created for that purpose. The Omega JV-5 is managed by AMP-Ohio, which acts as the joint venture agent. See Note 13 of these financial statements.

VILLAGE OF WELLINGTON
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

A. BASIS OF PRESENTATION

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

Fund Financial Statements

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

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

VILLAGE OF WELLINGTON
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. FUND ACCOUNTING

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories, governmental, proprietary and fiduciary.

Governmental Funds

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

General Fund - The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Railroad Grade Crossing Improvement Fund – This fund is used to account for monies to be used for a railroad underpass.

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

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

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service. The Village has no internal service funds.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the Village's major enterprise funds:

Water Fund - The water fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Fund - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Electric Fund – The electric fund accounts for the provision of electric services to the residents and commercial users within the Village.

The other enterprise funds of the Village account for rubbish, cable franchise fees, and storm sewer collections.

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village has no trust funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village's agency funds include the Cable TV Escrow Fund and the Fire Loss Escrow Fund.

VILLAGE OF WELLINGTON
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF ACCOUNTING

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

D. BUDGETARY PROCESS

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

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

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

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

E. CASH AND INVESTMENTS

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

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

VILLAGE OF WELLINGTON
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. CASH AND INVESTMENTS (continued)

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

Except for investment contracts and money market investments that had a maturity of one year or less at the time of purchase, investments are reported at fair value, which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005.

F. RESTRICTED ASSETS

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

G. INVENTORY AND PREPAID ITEMS

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

H. CAPITAL ASSETS

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

I. INTERFUND RECEIVABLES/PAYABLES

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

J. ACCUMULATED LEAVE

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

VILLAGE OF WELLINGTON
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. EMPLOYER CONTRIBUTIONS TO COST-SHARING PENSION PLANS

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

L. LONG-TERM OBLIGATIONS

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

M. NET ASSETS

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

N. FUND BALANCE RESERVES

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

O. INTERFUND TRANSACTIONS

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

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

VILLAGE OF WELLINGTON
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund and the Railroad Grade Crossing Improvement Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is that outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$ 139,015 for the General Fund. There were no outstanding encumbrances for the Railroad Grade Crossing Improvement Fund.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

VILLAGE OF WELLINGTON
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end, the Village had \$ 400 in cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying amount of the Village's deposits was \$ 1,072,453 and the bank balance was \$ 1,303,203. Of the bank balance, \$ 200,000 was covered by federal depository insurance and \$ 1,103,203 was uninsured. Of the remaining balance, \$ 1,103,203 was collateralized with securities held by the pledging institution's trust department not in the Village's name.

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

VILLAGE OF WELLINGTON
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

Investments

As of December 31, 2005, the Village had the following investments:

	Weighted Average Maturities Years	Fair Value
Federal Home Loan Bank Notes	* .342	\$ 1,249,844
Federal Home Loan Mortgage Corporation Bonds	* .627	1,090,164
Federal National Mortgage Association Notes	* .438	1,257,091
STAROhio	n/a	718,067
Local government securities	n/a	53,000
		<u>\$ 4,368,166</u>

* The securities have various call dates. The Village believes no securities will be called.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village has no investment policy dealing with investment custodial risk beyond the requirements in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualifying trustee.

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

The Federal Home Loan Bank Notes, the Federal Home Loan Mortgage Corporation Bonds, and the Federal National Mortgage Association Notes carry a rating of AAA by Standard & Poor's and STAROhio carries a rating of AAAM by Standard & Poor's. Ohio Law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The Village has no investment policy that would further limit its investment choices.

The Village places no limit on the amount that may be invested in any one issuer. The following is the Village's allocation as of December 31, 2005:

	Percentage of Investments
Federal Home Loan Bank Notes	28.6%
Federal Home Loan Mortgage Corporation Bonds	25.0%
Federal National Mortgage Association Notes	28.8%
STAROhio	16.4%
Local government securities	1.2%

VILLAGE OF WELLINGTON
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 5 – INCOME TAXES

The Village levies a one percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

NOTE 6 – PROPERTY TAXES

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

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

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

The full tax rate for all Village operations for the year ended December 31, 2005, was \$ 4.40 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

	2005 Collection Year
Property valuation consisted of:	
Real property	\$ 75,281,420
Public utility property	2,178,170
Tangible personal property	15,880,890
Total valuation	\$ 93,340,480

VILLAGE OF WELLINGTON
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 7 – RISK MANAGEMENT

The Village is exposed to various risk of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Village also provides health insurance, dental and vision coverage to full-time employees through the Lorain County Healthcare program. There have not been any significant reductions in insurance coverage from coverage in the prior year and the amounts of settlements have not exceeded coverage for any of the prior three years.

The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

NOTE 8– DEFINED BENEFIT PENSION PLANS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

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

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Village's contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the Village's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$ 165,712, \$ 159,878 and \$ 120,393 respectively. The Village has paid all contributions required through December 31, 2005.

VILLAGE OF WELLINGTON
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 8– DEFINED BENEFIT PENSION PLANS (continued)

B. OHIO POLICE AND FIRE PENSION FUND

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The Village's required contributions to the Fund for the years ended December 31, 2005, 2004, and 2003 were \$ 31,739, \$ 29,229 and \$ 30,161, respectively. The Village has paid all contributions required through December 31, 2005.

NOTE 9 - POSTEMPLOYMENT BENEFITS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50% to 6% for the next 9 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

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

VILLAGE OF WELLINGTON
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 9 - POSTEMPLOYMENT BENEFITS (continued)

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (continued)

The number of active contributing participants in the traditional and combined plans was 369,214. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$ 69,408. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005 were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$ 31.3 billion and \$ 20.2 billion, respectively.

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

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporated a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

B. OHIO POLICE AND FIRE PENSION FUND

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2005. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2002, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2005 that were used to fund postemployment benefits were \$ 20,934. The OP&F's total health care expense for the year ended December 31, 2005 was \$ 108,039,449 which was net of member contributions of \$ 55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 13,922 for police, and 10,537 for firefighters.

VILLAGE OF WELLINGTON
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 10 - DEBT

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

	Outstanding 12/31/04	Additions	Reductions	Outstanding 12/31/05	Due In One Year
<u>Governmental activities</u>					
Special assessment bonds					
Street Improvements (1999) 6.0% through 2019	\$ 44,943	\$ -	\$ -	\$ 44,943	\$ 3,952
Street Improvements (2000) 5.75% through 2020	22,256	-	-	22,256	1,821
Street Improvements (1986) 8.375% through 2026	6,000	-	3,000	3,000	3,000
Street Improvements (1990) Varying % through 2010	48,000	-	8,000	40,000	8,000
Street Improvements (1989) 7.65% through 2009	15,000	-	3,000	12,000	3,000
Street Improvements (1988) 7.50% through 2008	72,000	-	18,000	54,000	18,000
Street Improvements (1991) 7.50% through 2011	30,000	-	4,000	26,000	4,000
Street Improvements (1993) Varying % through 2013	90,000	-	10,000	80,000	10,000
Total special assessment bonds	<u>328,199</u>	<u>-</u>	<u>46,000</u>	<u>282,199</u>	<u>51,773</u>
Ohio Public Works (2000) 0% through 2020	204,399	-	13,627	190,772	13,627
Total governmental activities	<u>\$ 532,598</u>	<u>\$ -</u>	<u>\$ 59,627</u>	<u>\$ 472,971</u>	<u>\$ 65,400</u>

VILLAGE OF WELLINGTON
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 10 – DEBT (continued)

	Outstanding 12/31/04	Additions	Reductions	Outstanding 12/31/05	Due In One Year
<u>Business-type activities</u>					
General obligation bonds					
Electric system improvements					
4.1% through 2005	\$ 190,000	\$ -	\$ 190,000	\$ -	\$ -
Total general obligation bonds	<u>190,000</u>	<u>-</u>	<u>190,000</u>	<u>-</u>	<u>-</u>
Ohio Public Works					
OPWC loan (2002)					
0% through 2022	72,622	-	4,150	68,472	4,150
OPWC loan (1999)					
0% through 2019	65,346	-	4,506	60,840	4,506
OPWC loan (1996)					
0% through 2006	2,350	-	2,350	-	-
Total OPWC loans	<u>140,318</u>	<u>-</u>	<u>11,006</u>	<u>129,312</u>	<u>8,656</u>
Ohio Water Development Authority					
OWDA loan (1999)					
6.32% through 2024	1,225,213	-	35,134	1,190,079	37,355
OWDA loan (1999)					
6.32% through 2024	789,073	-	28,602	760,471	30,567
OWDA loan (2000)					
5.86% through 2024	883,149	-	25,436	857,713	26,927
OWDA loan (2004)					
4.66% through 2024	1,329,164	860,268	67,637	2,121,795	72,417
Total OWDA loans	<u>4,226,599</u>	<u>860,268</u>	<u>156,809</u>	<u>4,930,058</u>	<u>167,266</u>
Total business-type activities	<u>\$ 4,556,917</u>	<u>\$ 860,268</u>	<u>\$ 357,815</u>	<u>\$ 5,059,370</u>	<u>\$ 175,922</u>

The Special Assessment Bonds were issued for street reconstruction. The General Obligation Bonds are for improvements to the Village's electric utility. The Ohio Water Development Authority (OWDA) loans relates to water, sewer and storm sewer projects. The Ohio Public Works Commission (OPWC) loans financed waterline improvements and replacements. The loans will be repaid in semiannual installments, including interest, over a period of up to 25 years. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed.

With the exception of the special assessment debt, all principal and interest payments are funded through utility user charges.

VILLAGE OF WELLINGTON
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 10 – DEBT (continued)

The following is a summary of the Village's future annual debt service requirements:

Year	Governmental Activities		
	Special Assessment Bonds		OPWC loans
	Principal	Interest	Principal
2006	\$ 51,773	\$ 18,618	\$ 13,627
2007	46,149	15,153	13,627
2008	46,335	11,926	13,627
2009	28,536	11,926	13,626
2010	26,747	6,771	13,626
2011 - 2015	57,383	15,575	68,133
2016 - 2020	25,276	4,128	54,506
	\$ 282,199	\$ 84,097	\$ 190,772

Year	Business-type Activities				
	OPWC loans	OWDA loans		Total	
	Principal	Principal	Interest	Principal	Interest
2006	\$ 8,656	\$ 167,266	\$ 277,063	\$ 175,922	\$ 277,063
2007	8,656	176,718	267,610	185,374	267,610
2008	8,656	186,717	257,611	195,373	257,611
2009	8,656	197,297	247,032	205,953	247,032
2010	8,656	208,489	235,840	217,145	235,840
2011 - 2015	43,282	1,234,474	987,168	1,277,756	987,168
2016 - 2020	36,525	1,630,047	591,595	1,666,572	591,595
2021 - 2024	6,225	1,129,050	137,923	1,135,275	137,923
	\$ 129,312	\$ 4,930,058	\$ 3,001,842	\$ 5,059,370	\$ 2,272,324

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed an amount equal to 10.5 percent of its tax valuation.

VILLAGE OF WELLINGTON
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 11 – CONTINGENT LIABILITIES

The Village received financial assistance from Federal and state agencies in the form of grants and subsidies. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Village.

NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS

A. SOUTH LORAIN COUNTY AMBULANCE DISTRICT

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

B. WELLINGTON COMMUNITY FIRE DISTRICT

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

C. WELLINGTON UNION CEMETERY

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

D. LORAIN COUNTY RURAL WASTEWATER DISTRICT (LORCO)

LORCO is a wastewater district organized pursuant to Ohio Rev. Code Section 6119 and is directed by a Board of Trustees representing one each of the 13 township and three village members. LORCO was organized to provide wastewater treatment services to its members and has applied to the appropriate authorities for recognition as a Designated Management Agency under Section 208 of the Clean Water Act.

VILLAGE OF WELLINGTON
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS (continued)

E. SOUTH LORAIN COUNTY HISTORICAL SOCIETY

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

F. WELLINGTON COMMUNITY IMPROVEMENT CORPORATION

The Wellington CIC is a community improvement corporation organized pursuant to Ohio Rev. Code Section 1724 and is directed by a seven-member Board of Trustees which includes the Village Mayor, Council President, and Village Administrator. The Wellington CIC coordinates community development activities within the Village.

NOTE 13 – JOINT VENTURE WITH EQUITY INTEREST

A. OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 1 (OMEGA JV-1)

The Village is a participant with twenty-one subdivisions within the State of Ohio in this joint venture to provide supplemental reserve electric power to the participants on a cooperative basis. On dissolution of the joint venture, the net assets of Omega JV-1 will be shared by the participants on a percentage basis. The Omega JV-1 is managed by AMP-Ohio which acts as the joint venture's agent. The participants are obligated by the agreement to remit monthly costs incurred from using electricity generated by the joint venture. The Village's net investment and its share of the operating results of Omega JV-1 are reported in the Village's electric fund (an enterprise fund). The Village's equity interest in Omega JV-1 was \$ 13,435 at December 31, 2005. Complete financial statements for Omega JV-1 can be obtained from AMP-Ohio or from the Village's Clerk-Treasurer.

B. OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 5 (OMEGA JV-5)

The Village of Wellington is a Financing Participant with an ownership percentage of 3.02%, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA JV5 Agreement, the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP-Ohio.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 participants.

VILLAGE OF WELLINGTON
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 13 – JOINT VENTURE WITH EQUITY INTEREST (continued)

B. OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 5 (OMEGA JV-5)

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2005 Wellington has met their debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the nondefaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such nondefaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP-Ohio, which acts as the joint venture's agent. During 1993 and 2001 AMP-Ohio issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$ 34,951,833 from the periods 2005 through 2024.

The Village's net investment and its share of operating results of OMEGA JV5 are reported in the Village's electric fund (an enterprise fund). The Village's net investment to date in OMEGA JV5 was \$ 150,386 at December 31, 2005. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

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VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED

This discussion and analysis of the Village of Wellington's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2004, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Financial Highlights

Key highlights for 2004 are as follows

Net assets of governmental activities increased \$ 190,182 or 13.5 percent over 2003. This was the result of a \$ 150,364 increase in fund balance in the General Fund, as well as increases in the Railroad Crossing Improvement Fund and the Capital Improvements Fund of \$ 7,711 and \$ 48,716, respectively. These increases were offset by decreases of \$ 16,609 in Other Governmental Funds.

The Village's general receipts are primarily municipal income taxes and intergovernmental revenue. These receipts represent respectively 35.9 percent and 17.9 percent of the total receipts for governmental activities during the year.

Net assets of business-type activities decreased \$ 59,333 or 1.4 percent from 2003. This was the result of a \$ 274,435 decrease in net assets of the Electric Fund and a decrease of \$ 8,346 in the Water Fund. Net assets in the Sewer Fund and Other Enterprise Funds increased by \$ 189,057 and \$ 34,391 respectively.

Using the Basic Financial Statements

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

Report Components

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

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

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

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED

Basis of Accounting

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

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

Government-wide Financial Statements

The statement of net assets and the statement of activities reflect how the Village did financially during 2004, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

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

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities - Most of the Village's basic services are reported here, including police, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity - The Village has several business-type activities; most significantly the provision of water, sewer, and electricity operations. Business-type activities are financed by a fee charged to the customers receiving the service.

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Fund Financial Statements

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

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

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village's significant proprietary funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major proprietary funds are the Water Fund, Sewer Fund and Electric Fund.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs. The Village's agency funds include the Cable TV Escrow Fund and the Fire Loss Escrow Fund.

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2004 on a cash basis. Since the Village did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

Table 1
Net Assets

	Governmental Activities	Business-type Activities	Total
Assets			
Equity in pooled cash and equivalents	\$ 1,596,519	\$ 4,145,648	\$ 5,742,167
Total assets	<u>\$ 1,596,519</u>	<u>\$ 4,145,648</u>	<u>\$ 5,742,167</u>
Net assets			
Restricted	\$ 983,003	\$ -	\$ 983,003
Unrestricted	613,516	4,145,648	4,759,164
Total net assets	<u>\$ 1,596,519</u>	<u>\$ 4,145,648</u>	<u>\$ 5,742,167</u>

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
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As mentioned previously, net assets of governmental activities increased \$ 190,182 or 13.5 percent during 2004.

Table 2 reflects the changes in net assets in 2004. Since the Village did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

Table 2
Changes in Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total 2004
Receipts			
Program receipts			
Charges for services	\$ 336,713	\$ 6,478,511	\$ 6,815,224
Operating grants and contributions	73,231	-	73,231
Capital grants and contributions	731,823	48,350	780,173
Total program receipts	<u>1,141,767</u>	<u>6,526,861</u>	<u>7,668,628</u>
General receipts			
Property and other local taxes	323,059	-	323,059
Municipal income taxes	1,300,810	-	1,300,810
Grants and entitlements	650,368	-	650,368
Notes issued	-	1,329,164	1,329,164
Sale of capital assets	155,164	-	155,164
Interest	33,699	34	33,733
Other	19,835	-	19,835
Total general receipts	<u>2,482,935</u>	<u>1,329,198</u>	<u>3,812,133</u>

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
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Table 2
Changes in Net Assets
(Continued)

	Governmental Activities 2004	Business-type Activities 2004	Total 2004
Program cash disbursements			
General government	386,277	-	386,277
Security of persons and property	765,193	-	765,193
Public health services	10,470	-	10,470
Leisure time activities	48,688	-	48,688
Community environment	139,815	-	139,815
Transportation	705,726	-	705,726
Capital outlay	1,121,103	-	1,121,103
Principal	61,272	-	61,272
Interest and fiscal charges	25,976	-	25,976
Water	-	896,015	896,015
Sewer	-	1,753,425	1,753,425
Electric	-	5,024,702	5,024,702
Refuse	-	235,855	235,855
Other	-	175,395	175,395
Total program cash disbursements	<u>3,264,520</u>	<u>8,085,392</u>	<u>11,349,912</u>
Transfers	<u>(170,000)</u>	<u>170,000</u>	<u>-</u>
Increase (decrease) in net assets	190,182	(59,333)	130,849
Net assets, at beginning of year	<u>1,406,337</u>	<u>4,204,981</u>	<u>5,611,318</u>
Net assets, at end of year	<u>\$ 1,596,519</u>	<u>\$ 4,145,648</u>	<u>\$ 5,742,167</u>

Governmental Activities

Program receipts represent 31.5 percent of total receipts for governmental activities and are primarily comprised of capital grants and contributions. General receipts represent 68.5 percent of the Village's total receipts, and of this amount, over 65.4 percent are local taxes. The other significant sources of revenue were state and federal grants and entitlements and note proceeds. Other receipts are very insignificant and somewhat unpredictable revenue sources.

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED

If you look at the Statement of Activities on page 50 you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property, transportation and capital outlay which account for 23.4, 21.6 and 34.3 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 11.8 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

TABLE 3
Governmental activities

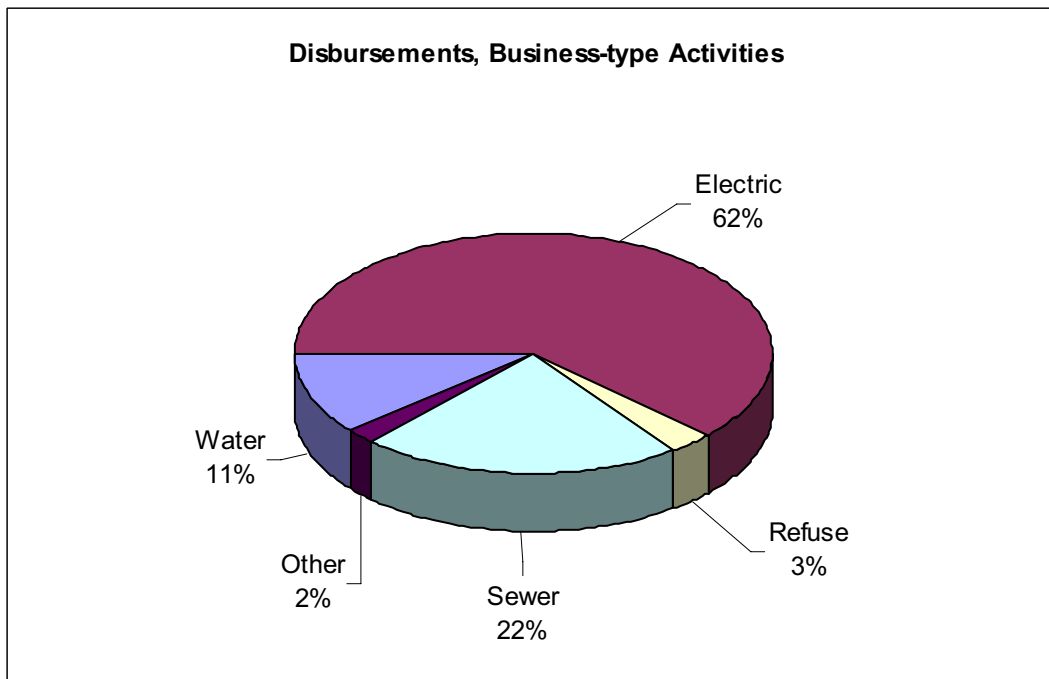
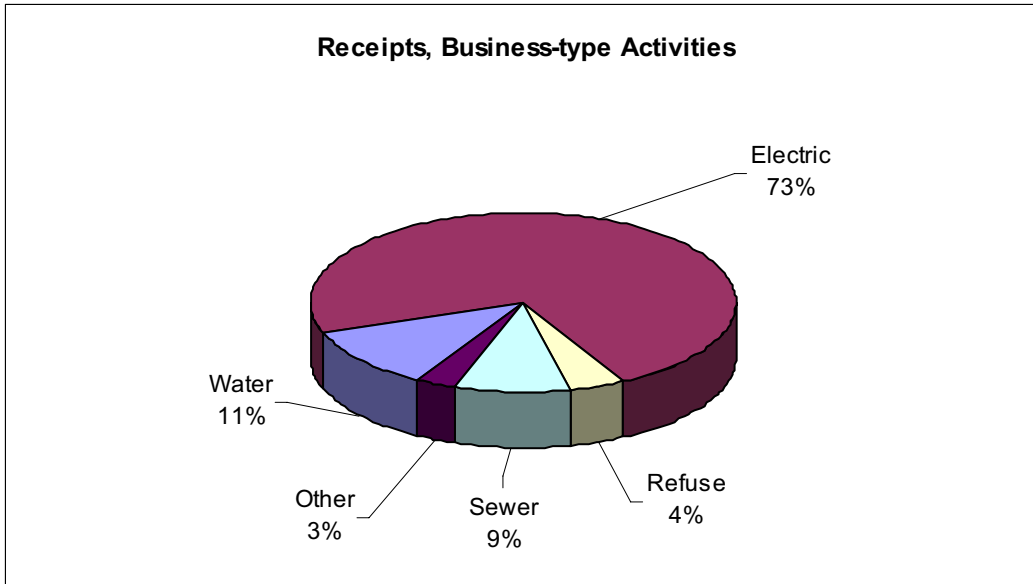
	Total Cost of Services	Net Cost of Services
Governmental activities		
General government	\$ 386,277	\$ 94,296
Security of persons and property	765,193	728,011
Public health services	10,470	10,470
Leisure time activities	48,688	34,072
Community environment	139,815	81,504
Transportation	705,726	596,781
Capital outlay	1,121,103	490,371
Principal	61,272	61,272
Interest and fiscal charges	25,976	25,976
Total governmental activities	<u>\$ 3,264,520</u>	<u>\$ 2,122,753</u>

The dependence upon property and income tax receipts is apparent as 49.7 percent of governmental activities are supported through these general receipts.

VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
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Business-type Activities

Program receipts for business-type activities represented 83.1% of total receipts and was comprised primarily of charges for services. Disbursements for water, sewer and electric operations exceeded their operating receipts.



VILLAGE OF WELLINGTON
LORAIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED

The Village's Funds

Total governmental funds had receipts of \$ 3,469,538 and disbursements of \$ 3,264,520, excluding other financing sources (uses). General Fund receipts were more than disbursements by \$ 165,200.

General Fund Budgeting Highlights

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

During 2004, the Village amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts primarily due to increases in estimated receipts of municipal income tax and miscellaneous sources. Actual receipts were less than final budget amounts for all sources.

Final disbursements were budgeted at \$ 2,831,970, while actual disbursements were \$ 2,513,468.

Capital Assets

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

Debt

Outstanding debt obligations of the Village consisted of:

	Governmental Activities	Business-type Activities	Total
Special assessment bonds	\$ 328,199	\$ -	\$ 328,199
OPWC loan	204,399	140,318	344,717
General obligation bonds	-	190,000	190,000
OWDA loan	-	4,226,599	4,226,599
	<u>\$ 532,598</u>	<u>\$ 4,556,917</u>	<u>\$ 5,089,515</u>

The OWDA loan relates to water, sewer and storm sewer projects. The general obligation bonds are for improvements to the Village's electric utility. OPWC loans financed waterline improvements and replacements. The special assessment bonds were issued for street construction. For further information regarding the Village's debt, refer to Note 11 to the basic financial statements.

Current Issues

The Village will incur additional OWDA loans to fund improvements to the wastewater treatment plant.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Karen Webb Clerk-Treasurer, Village of Wellington, 115 Willard Memorial Square, Wellington, Ohio 44090.

VILLAGE OF WELLINGTON
LORAIN COUNTY
STATEMENT OF NET ASSETS
DECEMBER 31, 2004

	Governmental Activities	Business-type Activities	Total
Assets			
Equity in pooled cash and cash equivalents	\$ 1,596,519	\$ 4,145,648	\$ 5,742,167
Total assets	\$ 1,596,519	\$ 4,145,648	\$ 5,742,167
Net assets			
Restricted for:			
Capital projects	\$ 208,220	\$ -	\$ 208,220
Debt service	87,004	-	87,004
Highways and streets	656,426	-	656,426
Recreation	31,353	-	31,353
Unrestricted	613,516	4,145,648	4,759,164
Total net assets	\$ 1,596,519	\$ 4,145,648	\$ 5,742,167

The accompanying notes are an integral part of these financial statements.

VILLAGE OF WELLINGTON
LORAIN COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

	Cash Disbursements	Program Cash Receipts		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 386,277	\$ 291,981	\$ -	\$ -
Security of persons and property	765,193	23,112	14,070	-
Public health services	10,470	-	-	-
Leisure time activities	48,688	13,766	850	-
Community environment	139,815	-	58,311	-
Transportation	705,726	-	-	108,945
Capital outlay	1,121,103	7,854	-	622,878
Principal	61,272	-	-	-
Interest and fiscal charges	25,976	-	-	-
Total governmental activities	<u>3,264,520</u>	<u>336,713</u>	<u>73,231</u>	<u>731,823</u>
Business-type activities				
Water	896,015	687,569	-	30,100
Sewer	1,753,425	733,488	-	18,250
Electric	5,024,702	4,750,267	-	-
Refuse	235,855	237,527	-	-
Other	175,395	69,660	-	-
Total business-type activities	<u>8,085,392</u>	<u>6,478,511</u>	<u>-</u>	<u>48,350</u>
Total	<u>\$ 11,349,912</u>	<u>\$ 6,815,224</u>	<u>\$ 73,231</u>	<u>\$ 780,173</u>

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

Transfers

Total general receipts and transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

The accompanying notes are an integral part of these financial statements.

Net (Disbursements) Receipts and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (94,296)	\$ -	\$ (94,296)
(728,011)	-	(728,011)
(10,470)	-	(10,470)
(34,072)	-	(34,072)
(81,504)	-	(81,504)
(596,781)	-	(596,781)
(490,371)	-	(490,371)
(61,272)	-	(61,272)
(25,976)	-	(25,976)
<u>(2,122,753)</u>	<u>-</u>	<u>(2,122,753)</u>
-	(178,346)	(178,346)
-	(1,001,687)	(1,001,687)
-	(274,435)	(274,435)
-	1,672	1,672
-	(105,735)	(105,735)
-	(1,558,531)	(1,558,531)
<u>(2,122,753)</u>	<u>(1,558,531)</u>	<u>(3,681,284)</u>
323,059	-	323,059
1,300,810	-	1,300,810
650,368	-	650,368
-	1,329,164	1,329,164
155,164	-	155,164
33,699	34	33,733
19,835	-	19,835
<u>2,482,935</u>	<u>1,329,198</u>	<u>3,812,133</u>
<u>(170,000)</u>	<u>170,000</u>	<u>-</u>
<u>2,312,935</u>	<u>1,499,198</u>	<u>3,812,133</u>
190,182	(59,333)	130,849
<u>1,406,337</u>	<u>4,204,981</u>	<u>5,611,318</u>
<u>\$ 1,596,519</u>	<u>\$ 4,145,648</u>	<u>\$ 5,742,167</u>

VILLAGE OF WELLINGTON
LORAIN COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES -
GOVERNMENTAL FUNDS
DECEMBER 31, 2004

	General Fund	Railroad Grade Crossing Improvement Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in pooled cash and cash equivalents	\$ 613,516	\$ 410,711	\$ 208,220	\$ 364,072	\$ 1,596,519
Total assets	\$ 613,516	\$ 410,711	\$ 208,220	\$ 364,072	\$ 1,596,519
Fund balances					
Reserved for encumbrances	120,607	-	22,464	25,060	168,131
Unreserved reported in:					
General fund	492,909	-	-	-	492,909
Special revenue funds	-	410,711	-	252,008	662,719
Debt service funds	-	-	-	87,004	87,004
Capital projects	-	-	185,756	-	185,756
Total net assets	\$ 613,516	\$ 410,711	\$ 208,220	\$ 364,072	\$ 1,596,519

The accompanying notes are an integral part of these financial statements.

VILLAGE OF WELLINGTON
LORAIN COUNTY

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

FOR THE YEAR ENDED DECEMBER 31, 2004

	General	Railroad Grade Crossing Improvement Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Municipal income tax	\$ 975,604	\$ -	\$ 325,206	\$ -	\$ 1,300,810
Property and other taxes	323,059	-	-	-	323,059
Special assessments	-	-	6,779	88,945	95,724
Charges for services	55,660	-	1,075	13,766	70,501
Fines, licenses and permits	75,480	-	-	-	75,480
Intergovernmental	488,834	-	602,878	267,986	1,359,698
Interest	18,982	12,972	-	1,745	33,699
Contributions and donations	11,690	-	-	-	11,690
Miscellaneous	198,752	-	125	-	198,877
Total revenues	<u>2,148,061</u>	<u>12,972</u>	<u>936,063</u>	<u>372,442</u>	<u>3,469,538</u>
Expenditures					
Current					
General government	381,016	5,261	-	-	386,277
Security of persons and property	739,877	-	-	25,316	765,193
Public health services	10,470	-	-	-	10,470
Leisure time activities	34,262	-	-	14,426	48,688
Community environment	139,815	-	-	-	139,815
Transportation	616,052	-	-	89,674	705,726
Capital outlay	61,369	-	887,347	172,387	1,121,103
Debt service					
Principal	-	-	-	61,272	61,272
Interest and fiscal charges	-	-	-	25,976	25,976
Total disbursements	<u>1,982,861</u>	<u>5,261</u>	<u>887,347</u>	<u>389,051</u>	<u>3,264,520</u>
Excess of receipts over (under) disbursements	<u>165,200</u>	<u>7,711</u>	<u>48,716</u>	<u>(16,609)</u>	<u>205,018</u>
Other financing sources (uses)					
Sale of capital assets	155,164	-	-	-	155,164
Transfers-out	(170,000)	-	-	-	(170,000)
Advances-in	240,000	-	240,000	-	480,000
Advances-out	(240,000)	-	(240,000)	-	(480,000)
Total other financing sources (uses)	<u>(14,836)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,836)</u>
Net change in fund balances	150,364	7,711	48,716	(16,609)	190,182
Fund balances at beginning of year	<u>463,152</u>	<u>403,000</u>	<u>159,504</u>	<u>380,681</u>	<u>1,406,337</u>
Fund balances at end of year	<u>\$ 613,516</u>	<u>\$ 410,711</u>	<u>\$ 208,220</u>	<u>\$ 364,072</u>	<u>\$ 1,596,519</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF WELLINGTON
LORAIN COUNTY

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

FOR THE YEAR ENDED DECEMBER 31, 2004

	GENERAL FUND			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Revenues				
Municipal income tax	\$ 1,100,000	\$ 1,254,597	\$ 975,604	\$ (278,993)
Property and other taxes	220,000	250,919	323,059	72,140
Charges for services	60,000	68,433	55,660	(12,773)
Fines, licenses and permits	95,000	108,352	75,480	75,480
Intergovernmental	494,000	563,428	488,834	(74,594)
Interest	100,000	114,054	18,982	(95,072)
Contributions and donations	1,000	1,141	11,690	10,549
Miscellaneous	214,000	244,076	198,752	(45,324)
Total revenues	2,284,000	2,605,000	2,148,061	(348,587)
Expenditures				
Current				
General government	394,870	439,592	386,669	52,923
Security of persons and property	675,309	751,793	746,402	5,391
Public health services	11,413	12,706	10,470	2,236
Leisure time activities	43,074	47,952	34,562	13,390
Community environment	174,472	194,232	172,287	21,945
Transportation	581,240	647,070	644,003	3,067
Capital outlay	123,624	137,625	109,075	28,550
Total disbursements	2,004,002	2,230,970	2,103,468	127,502
Excess of receipts over (under) disbursements	279,998	374,030	44,593	(221,085)
Other financing sources (uses)				
Sale of capital assets	-	-	155,164	155,164
Transfers-out	-	(361,000)	(170,000)	191,000
Advances-in	-	170,000	240,000	70,000
Advances-out	-	(240,000)	(240,000)	-
Total other financing sources (uses)	-	(431,000)	(14,836)	416,164
Net change in fund balances	279,998	(56,970)	29,757	195,079
Prior year encumbrances appropriated	96,970	96,970	96,970	-
Fund balance at beginning of year	366,182	366,182	366,182	-
Fund balance at end of year	\$ 743,150	\$ 406,182	\$ 492,909	\$ 195,079

The accompanying notes are an integral part of these financial statements.

VILLAGE OF WELLINGTON
LORAIN COUNTY

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

FOR THE YEAR ENDED DECEMBER 31, 2004

RAILROAD GRADE CROSSING IMPROVEMENT FUND

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest	\$ 10,000	\$ 14,139	\$ 12,972	\$ (1,167)
Total revenues	<u>10,000</u>	<u>14,139</u>	<u>12,972</u>	<u>(1,167)</u>
Expenditures				
Current				
General government	5,261	5,261	5,261	-
Total disbursements	<u>5,261</u>	<u>5,261</u>	<u>5,261</u>	<u>-</u>
Net change in fund balances	4,739	8,878	7,711	(1,167)
Prior year encumbrances appropriated	-	-	-	-
Fund balance at beginning of year	<u>403,000</u>	<u>403,000</u>	<u>403,000</u>	<u>-</u>
Fund balance at end of year	<u>\$ 407,739</u>	<u>\$ 411,878</u>	<u>\$ 410,711</u>	<u>\$ (1,167)</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF WELLINGTON
LORAIN COUNTY
STATEMENT OF FUND NET ASSETS – CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2004

	Water	Sewer	Electric	Other Enterprise Funds	Total Enterprise Funds
Assets					
Equity in pooled cash and cash equivalents	\$ 372,590	\$ 1,045,319	\$ 2,235,379	\$ 492,360	\$ 4,145,648
Total assets	<u>\$ 372,590</u>	<u>\$ 1,045,319</u>	<u>\$ 2,235,379</u>	<u>\$ 492,360</u>	<u>\$ 4,145,648</u>
Net assets					
Unrestricted	\$ 372,590	\$ 1,045,319	\$ 2,235,379	\$ 492,360	\$ 4,145,648
Total net assets	<u>\$ 372,590</u>	<u>\$ 1,045,319</u>	<u>\$ 2,235,379</u>	<u>\$ 492,360</u>	<u>\$ 4,145,648</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF WELLINGTON
LORAIN COUNTY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND NET ASSETS – PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Water	Sewer	Electric	Other Enterprise Funds	Total Enterprise Funds
Operating receipts					
Charges for services	\$ 678,064	\$ 593,643	\$ 4,589,617	\$ 436,809	\$ 6,298,133
Interest	-	-	-	34	34
Miscellaneous	9,505	1,425	160,650	8,798	180,378
Total operating receipts	<u>687,569</u>	<u>595,068</u>	<u>4,750,267</u>	<u>445,641</u>	<u>6,478,545</u>
Operating disbursements					
Personal services	328,556	224,406	850,994	-	1,403,956
Travel transportation	1,376	488	5,552	-	7,416
Contractual services	33,804	40,435	3,656,047	279,222	4,009,508
Materials and supplies	126,290	69,381	170,787	9,749	376,207
Capital outlay	320,828	1,332,870	261,470	9,711	1,924,879
Total operating disbursements	<u>810,854</u>	<u>1,667,580</u>	<u>4,944,850</u>	<u>298,682</u>	<u>7,721,966</u>
Operating income (loss)	<u>(123,285)</u>	<u>(1,072,512)</u>	<u>(194,583)</u>	<u>146,959</u>	<u>(1,243,421)</u>
Non-operating receipts / disbursements					
Principal paid	(29,113)	(32,685)	(70,000)	(33,046)	(164,844)
Interest and fiscal charges	(56,048)	(53,160)	(9,852)	(79,522)	(198,582)
Notes issued	-	1,329,164	-	-	1,329,164
Total non-operating receipts / disbursements	<u>(85,161)</u>	<u>1,243,319</u>	<u>(79,852)</u>	<u>(112,568)</u>	<u>965,738</u>
Income (loss) before contributions and transfers	(208,446)	170,807	(274,435)	34,391	(277,683)
Capital contributions - tap fees	30,100	18,250	-	-	48,350
Transfers-in	170,000	-	-	-	170,000
Change in net assets	(8,346)	189,057	(274,435)	34,391	(59,333)
Net assets at beginning of year	<u>380,936</u>	<u>856,262</u>	<u>2,509,814</u>	<u>457,969</u>	<u>4,204,981</u>
Net assets at end of year	<u>\$ 372,590</u>	<u>\$ 1,045,319</u>	<u>\$ 2,235,379</u>	<u>\$ 492,360</u>	<u>\$ 4,145,648</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF WELLINGTON
LORAIN COUNTY
STATEMENT OF NET ASSETS –
FIDUCIARY FUNDS
DECEMBER 31, 2004

	<u>Agency</u>
Assets	
Equity in pooled cash and cash equivalents	\$ 5,000
Total assets	<u>5,000</u>
Net assets	
Unrestricted	5,000
Total net assets	<u>\$ 5,000</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF WELLINGTON
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 1 – REPORTING ENTITY

The Village of Wellington, Lorain County, (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly elected six-member Council.

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

A. PRIMARY GOVERNMENT

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

B. COMPONENT UNITS

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

C. JOINTLY GOVERNED ORGANIZATIONS

The Village is associated with the South Lorain County Ambulance District, Wellington Community Fire District, Wellington Union Cemetery, Lorain County Rural Wastewater District (LORCO), South Lorain County Historical Society, and Wellington Community Improvement Corporation. These organizations and their relationships with the Village are described in more detail in Note 13 of these financial statements.

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

D. JOINT VENTURE WITH EQUITY INTEREST

Ohio Municipal Electric Generation Agency Joint Venture 1 (Omega JV-1) – The Village is a participant with twenty-one subdivisions within the State of Ohio in a joint venture to provide supplemental reserve electric power to the participants on a cooperative basis. The Omega JV-1 was created for that purpose. The Omega JV-1 is managed by AMP-Ohio, which acts as the joint venture's agent. See Note 14 of these financial statements.

Ohio Municipal Electric Generation Agency Joint Venture 5 (Omega JV-5) – The Village is a participant with forty-two subdivisions within the State of Ohio in a joint venture to construct a hydroelectric plant and associated transmission facilities in West Virginia on the Ohio River at the Belleville Locks and Dam and receive electricity from its operation. The Omega JV-5 was created for that purpose. The Omega JV-5 is managed by AMP-Ohio, which acts as the joint venture agent. See Note 14 of these financial statements.

VILLAGE OF WELLINGTON
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

A. BASIS OF PRESENTATION

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

Fund Financial Statements

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

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

VILLAGE OF WELLINGTON
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. FUND ACCOUNTING

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories, governmental, proprietary and fiduciary.

Governmental Funds

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

General Fund - The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Railroad Grade Crossing Improvement Fund – This fund is used to account for monies to be used for a railroad underpass.

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

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

Proprietary Funds

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

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the Village's major enterprise funds:

Water Fund - The water fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Fund - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Electric Fund – The electric fund accounts for the provision of electric services to the residents and commercial users within the Village.

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village has no trust funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village's agency funds include the Cable TV Escrow Fund and the Fire Loss Escrow Fund.

VILLAGE OF WELLINGTON
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF ACCOUNTING

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

D. BUDGETARY PROCESS

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

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

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

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

E. CASH AND INVESTMENTS

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

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

VILLAGE OF WELLINGTON
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. CASH AND INVESTMENTS (continued)

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

Except for investment contracts and money market investments that had a maturity of one year or less at the time of purchase, investments are reported at fair value, which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2004.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions.

F. RESTRICTED ASSETS

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

G. INVENTORY AND PREPAID ITEMS

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

H. CAPITAL ASSETS

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

I. INTERFUND RECEIVABLES/PAYABLES

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

J. ACCUMULATED LEAVE

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

VILLAGE OF WELLINGTON
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. EMPLOYER CONTRIBUTIONS TO COST-SHARING PENSION PLANS

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

L. LONG-TERM OBLIGATIONS

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

M. NET ASSETS

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

N. FUND BALANCE RESERVES

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

O. INTERFUND TRANSACTIONS

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

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

VILLAGE OF WELLINGTON
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund and the Railroad Grade Crossing Improvement Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is that outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$ 120,607 for the General Fund. There were no outstanding encumbrances for the Railroad Grade Crossing Improvement Fund.

NOTE 4 – CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY

For the year ended December 31, 2004, the Village revised its financial statement presentation comparable to the requirements of Governmental Accounting Standard No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. The financial statements now include entity-wide financial statements, which present information for the Village as a whole, and fund financial statements, which present information for individual major funds rather than by fund type. Non-major funds are presented in one column.

The Village also implemented GASB Statement No. 37, which clarifies certain provisions of Statement No. 34, including the required content of the Management’s Discussion and Analysis, the classification of program revenues and the criteria for determining major funds, and GASB Statement No. 38, which modifies, establishes and rescinds certain financial statement note disclosures.

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

VILLAGE OF WELLINGTON
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end, the Village had \$ 400 in cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying amount of the Village's deposits was \$ 1,496,130 and the bank balance was \$ 1,848,331. Of the bank balance, \$ 200,000 was covered by federal depository insurance and \$ 1,648,331 was uninsured. Of the remaining balance, \$ 1,648,331 was collateralized with securities held by the pledging institution's trust department not in the Village's name.

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

VILLAGE OF WELLINGTON
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Investments

As of December 31, 2004, the Village had the following investments:

	Weighted Average Maturities Years	Fair Value
Federal Home Loan Bank Notes	* 1.342	\$ 1,250,000
Federal Home Loan Mortgage Corporation Bonds	* 1.025	250,000
Student Loan Marketing Association	* .455	500,000
Federal Farm Credit Bank	* .729	500,000
Federal National Mortgage Association Notes	* 1.101	1,000,000
STAROhio	n/a	697,637
Local government securities	n/a	53,000
		<u>\$ 4,250,637</u>

* The securities have various call dates. The Village believes no securities will be called.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The U.S. Treasury Bills are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Village's name. The Village has no investment policy dealing with investment custodial risk beyond the requirements in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualifying trustee.

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

The Federal Home Loan Bank Notes, the Federal Home Loan Mortgage Corporation Bonds, the Student Loan Marketing Association, the Federal Farm Credit Bank and the Federal National Mortgage Association Notes carry a rating of AAA by Standard & Poor's and STAROhio carries a rating of AAAM by Standard & Poor's. Ohio Law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The Village has no investment policy that would further limit its investment choices.

The Village places no limit on the amount that may be invested in any one issuer. The following is the Village's allocation as of December 31, 2004:

	Percentage of Investments
Federal Home Loan Bank Notes	29.4%
Federal Home Loan Mortgage Corporation Bonds	5.9%
SLM Corporation (SALLIE MAE)	11.8%
Federal Farm Credit Bank	11.8%
Federal National Mortgage Association Notes	23.5%
STAROhio	16.4%
Local government securities	1.2%

VILLAGE OF WELLINGTON
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 6 – INCOME TAXES

The Village levies a one percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

NOTE 7 – PROPERTY TAXES

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

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

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

The full tax rate for all Village operations for the year ended December 31, 2004, was \$ 4.4per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2004 property tax receipts were based are as follows:

	2004 Collection Year
Property valuation consisted of:	
Real property	\$ 73,247,770
Public utility property	2,638,780
Tangible personal property	15,127,240
Total valuation	\$ 91,013,790

VILLAGE OF WELLINGTON
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 8 – RISK MANAGEMENT

The Village is exposed to various risk of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Village also provides health insurance, dental and vision coverage to full-time employees through the Lorain County Healthcare program. There have not been any significant reductions in insurance coverage from coverage in the prior year and the amounts of settlements have not exceeded coverage for any of the prior three years.

The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

NOTE 9– DEFINED BENEFIT PENSION PLANS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

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

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Village's contribution rate for pension benefits for 2004 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the Village's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$ 159,878,\$ 120,393 and \$ 141,237 respectively. The Village has paid all contributions required through December 31, 2004.

VILLAGE OF WELLINGTON
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 9– DEFINED BENEFIT PENSION PLANS (continued)

B. OHIO POLICE AND FIRE PENSION FUND

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The Village's required contributions to the Fund for the years ended December 31, 2004, 2003, and 2002 were \$ 29,229, \$ 30,161 and \$ 28,662, respectively. The Village has paid all contributions required through December 31, 2004.

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

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

VILLAGE OF WELLINGTON
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 10 - POSTEMPLOYMENT BENEFITS (continued)

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (continued)

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$ 66,964. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

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

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporated a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

B. OHIO POLICE AND FIRE PENSION FUND

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2004. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2002, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2004 that were used to fund postemployment benefits were \$ 19,278. The OP&F's total health care expense for the year ended December 31, 2004 was \$ 102,173,796 which was net of member contributions of \$ 55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police and 10,528 for firefighters.

VILLAGE OF WELLINGTON
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 11 - DEBT

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

	Outstanding 12/31/03	Additions	Reductions	Outstanding 12/31/04	Due In One Year
<u>Governmental activities</u>					
Special assessment bonds					
Street Improvements (1999) 6.0% through 2019	\$ 46,752	\$ -	\$ 1,809	\$ 44,943	\$ 1,917
Street Improvements (2000) 5.75% through 2020	23,093	-	837	22,256	885
Street Improvements (1986) 8.375% through 2026	9,000	-	3,000	6,000	3,000
Street Improvements (1990) Varying % through 2010	56,000	-	8,000	48,000	8,000
Street Improvements (1989) 7.65% through 2009	18,000	-	3,000	15,000	3,000
Street Improvements (1988) 7.50% through 2008	89,000	-	17,000	72,000	18,000
Street Improvements (1991) 7.50% through 2011	34,000	-	4,000	30,000	4,000
Street Improvements (1993) Varying % through 2013	100,000	-	10,000	90,000	10,000
Total special assessment bonds	<u>375,845</u>	<u>-</u>	<u>47,646</u>	<u>328,199</u>	<u>48,802</u>
Ohio Public Works (2000) 0% through 2020	<u>218,025</u>	<u>-</u>	<u>13,626</u>	<u>204,399</u>	<u>13,627</u>
Total governmental activities	<u>\$ 593,870</u>	<u>\$ -</u>	<u>\$ 61,272</u>	<u>\$ 532,598</u>	<u>\$ 62,429</u>

VILLAGE OF WELLINGTON
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 11 – DEBT (continued)

	Outstanding 12/31/03	Additions	Reductions	Outstanding 12/31/04	Due In One Year
<u>Business-type activities</u>					
General obligation bonds					
Electric system improvements					
4.1% through 2005	\$ 260,000	\$ -	\$ 70,000	\$ 190,000	\$ 190,000
Total general obligation bonds	<u>260,000</u>	<u>-</u>	<u>70,000</u>	<u>190,000</u>	<u>190,000</u>
Ohio Public Works					
OPWC loan (2002)					
0% through 2022	76,772	-	4,150	72,622	4,150
OPWC loan (1999)					
0% through 2019	69,853	-	4,507	65,346	4,506
OPWC loan (1996)					
0% through 2006	4,700	-	2,350	2,350	2,350
Total OPWC loans	<u>151,325</u>	<u>-</u>	<u>11,007</u>	<u>140,318</u>	<u>11,006</u>
Ohio Water Development Authority					
OWDA loan (1999)					
6.32% through 2024	1,258,259	-	33,046	1,225,213	35,134
OWDA loan (1999)					
6.32% through 2024	815,836	-	26,763	789,073	28,602
OWDA loan (2000)					
5.86% through 2024	907,177	-	24,028	883,149	25,436
OWDA loan (2004)					
4.66% through 2024	-	1,329,164	-	1,329,164	69,157
Total OWDA loans	<u>2,981,272</u>	<u>1,329,164</u>	<u>83,837</u>	<u>4,226,599</u>	<u>158,329</u>
Total business-type activities	<u>\$ 3,392,597</u>	<u>\$ 1,329,164</u>	<u>\$ 164,844</u>	<u>\$ 4,556,917</u>	<u>\$ 359,335</u>

The Special Assessment Bonds were issued for street reconstruction. The General Obligation Bonds are for improvements to the Village's electric utility. The Ohio Water Development Authority (OWDA) loans relates to water, sewer and storm sewer projects. The Ohio Public Works Commission (OPWC) loans financed waterline improvements and replacements. The loans will be repaid in semiannual installments, including interest, over a period of up to 25 years. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed.

With the exception of the special assessment debt, all principal and interest payments are funded through utility user charges.

VILLAGE OF WELLINGTON
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 11 – DEBT (continued)

The following is a summary of the Village's future annual debt service requirements:

Year	Governmental Activities		
	Special Assessment Bonds		OPWC loans
	Principal	Interest	Principal
2005	\$ 48,802	\$ 22,067	\$ 13,627
2006	48,971	18,618	13,627
2007	46,149	15,153	13,627
2008	46,335	11,926	13,626
2009	28,536	8,682	13,626
2010 - 2014	79,118	20,556	68,133
2015- 2019	28,241	5,801	68,133
2020	2,047	118	-
	\$ 328,199	\$ 102,921	\$ 204,399

Year	Business-type Activities			
	General Obligation Bonds		OWDA loans	
	Principal	Interest	Principal	Interest
2005	\$ 190,000	\$ 4,926	\$ 158,329	\$ 285,999
2006	-	-	167,266	277,063
2007	-	-	176,718	267,610
2008	-	-	186,717	257,611
2009	-	-	197,297	247,032
2010 - 2014	-	-	1,167,957	1,053,685
2015- 2019	-	-	1,410,245	639,991
2020 - 2024	-	-	762,070	118,362
	\$ 190,000	\$ 4,926	\$ 4,226,599	\$ 3,147,353

Year	Business-type Activities		
	OPWC loans	Total	
	Principal	Principal	Interest
2005	\$ 11,006	\$ 359,335	\$ 290,925
2006	8,656	175,922	277,063
2007	8,656	185,374	267,610
2008	8,656	195,373	257,611
2009	8,656	205,953	247,032
2010 - 2014	43,282	1,211,239	1,053,685
2015- 2019	41,029	1,451,274	639,991
2020 - 2024	10,377	772,447	118,362
	\$ 140,318	\$ 4,556,917	\$ 2,393,926

VILLAGE OF WELLINGTON
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 11 – DEBT (continued)

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed an amount equal to 10.5 percent of its tax valuation.

NOTE 12 – CONTINGENT LIABILITIES

The Village received financial assistance from Federal and state agencies in the form of grants and subsidies. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Village.

NOTE 13 – JOINTLY GOVERNED ORGANIZATIONS

A. SOUTH LORAIN COUNTY AMBULANCE DISTRICT

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

B. WELLINGTON COMMUNITY FIRE DISTRICT

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

C. WELLINGTON UNION CEMETERY

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

VILLAGE OF WELLINGTON
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 13 – JOINTLY GOVERNED ORGANIZATIONS (continued)

D. LORAIN COUNTY RURAL WASTEWATER DISTRICT (LORCO)

LORCO is a wastewater district organized pursuant to Ohio Rev. Code Section 6119 and is directed by a Board of Trustees representing one each of the 13 township and three village members. LORCO was organized to provide wastewater treatment services to its members and has applied to the appropriate authorities for recognition as a Designated Management Agency under Section 208 of the Clean Water Act.

E. SOUTH LORAIN COUNTY HISTORICAL SOCIETY

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

F. WELLINGTON COMMUNITY IMPROVEMENT CORPORATION

The Wellington CIC is a community improvement corporation organized pursuant to Ohio Rev. Code Section 1724 and is directed by a seven-member Board of Trustees which includes the Village Mayor, Council President, and Village Administrator. The Wellington CIC coordinates community development activities within the Village.

NOTE 14 - JOINT VENTURES

A. OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 1 (OMEGA JV-1)

The Village is a participant with twenty-one subdivisions within the State of Ohio in this joint venture to provide supplemental reserve electric power to the participants on a cooperative basis. On dissolution of the joint venture, the net assets of Omega JV-1 will be shared by the participants on a percentage basis. The Omega JV-1 is managed by AMP-Ohio which acts as the joint venture's agent. The participants are obligated by the agreement to remit monthly costs incurred from using electricity generated by the joint venture. The Village's net investment and its share of the operating results of Omega JV-1 are reported in the Village's electric fund (an enterprise fund). The Village's equity interest in Omega JV-1 was \$ 13,670 at December 31, 2004. Complete financial statements for Omega JV-1 can be obtained from AMP-Ohio or from the Village's Clerk-Treasurer.

B. OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 5 (OMEGA JV-5)

The Village of Wellington is a Financing Participant with an ownership percentage of 1.62%, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA JV5 Agreement, the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP-Ohio.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 participants.

VILLAGE OF WELLINGTON
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 14 - JOINT VENTURES (continued)

B. OHIO MUNICIPAL ELECTRIC GENERATION AGENCY JOINT VENTURE 5 (OMEGA JV-5)
(continued)

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2004 Oberlin has met their debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the nondefaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such nondefaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP-Ohio, which acts as the joint venture's agent. During 1993 and 2001 AMP-Ohio issued \$ 153,415,000 and \$ 13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$ 56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$ 116,910,000, which resulted in a savings to the membership of \$ 34,951,833 from the periods 2005 through 2024.

The Village's net investment and its share of operating results of OMEGA JV5 are reported in the Village's electric fund (an enterprise fund). The Village's net investment to date in OMEGA JV5 was \$ 140,050 at December 31, 2004. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

NOTE 15 - SUBSEQUENT EVENTS

Subsequent to December 31, 2004, the Village obtained a \$ 2,218,887 loan from the Ohio Water Development Authority. The loan has an interest rate of 4.6% and requires semi-annual payments of principal and interest beginning July 1, 2005 through January 1, 2025.

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Mary Taylor, CPA

Auditor of State

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

Village of Wellington
Lorain County
115 Willard Memorial Square
Wellington, Ohio 44090

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Wellington (the Village) as of and for the years ended December 31, 2005 and December 31, 2004, which collectively comprise the Village's basic financial statements and have issued our report thereon dated February 1, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated February 1, 2008, we reported another matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Village's management dated February 1, 2008, we reported other matters related to noncompliance we deemed immaterial.

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www.auditor.state.oh.us

Village of Wellington
Lorain County
Independent Accountants' Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Required by
Government Auditing Standards
Page 2

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

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

Mary Taylor, CPA
Auditor of State

February 1, 2008



Mary Taylor, CPA
Auditor of State

VILLAGE OF WELLINGTON

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 15, 2008**