



Dave Yost • Auditor of State

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Wellsville Local School District
Columbiana County
929 Center Street
Wellsville, Ohio 43968

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wellsville Local School District, Columbiana County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express 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 further described in Note 3 to the basic financial statements, the District restated July 1, 2010 governmental fund balances due to changes in fund structure as a result of implementing Governmental Accounting Standards Board (GASB) Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions" ..

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the basic financial statements. The federal awards schedule is management's responsibility and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The schedule was subject to auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting records used to prepare the basic financial statements or the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying Federal Awards Expenditure Schedule replaces the Schedule for the Wellsville Local School District fiscal year ended June 30, 2011, previously issued with our report dated February 9, 2012. You should rely on this report rather than on our report dated February 9, 2012. The Schedule was revised as an incorrect Schedule was erroneously included.



Dave Yost
Auditor of State

February 9, 2012 except for paragraph eight which is December 10, 2012

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The management's discussion and analysis of the Wellsville Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- In total, net assets of governmental activities decreased \$518,014, which represents a 5.88% decrease from 2010.
- General revenues accounted for \$6,422,889 in revenue or 65.60% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,368,515 or 34.40% of total revenues of \$9,791,404.
- The District had \$10,309,418 in expenses related to governmental activities; only \$3,368,515 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,422,889 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and the permanent improvement fund. The general fund had \$7,113,977 in revenues and \$7,489,686 in expenditures. During fiscal year 2011, the general fund's fund balance decreased \$375,709 from a restated balance of \$1,949,322, as detailed in Note 3.B, to a balance of \$1,573,613.
- The permanent improvement fund had \$162,402 in revenues and \$100,099 in expenditures. During fiscal year 2011, the permanent improvement fund's fund balance increased \$62,303 from \$680,907 to \$743,210.

Using the Basic Financial Statements

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

The *statement of net assets* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and permanent improvement fund are by far the most significant funds, and the only governmental funds reported as major funds.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation of non-instructional services, extracurricular activities and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and permanent improvement fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-52 of this report.

The District as a Whole

The statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2011 and 2010.

	Net Assets	
	Governmental Activities 2011	Governmental Activities 2010
<u>Assets</u>		
Current and other assets	\$ 5,727,929	\$ 6,005,185
Capital assets, net	<u>6,526,700</u>	<u>6,752,564</u>
Total assets	<u>12,254,629</u>	<u>12,757,749</u>
<u>Liabilities</u>		
Current liabilities	2,221,406	2,112,277
Long-term liabilities	<u>1,734,648</u>	<u>1,828,883</u>
Total liabilities	<u>3,956,054</u>	<u>3,941,160</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	5,344,167	5,463,700
Restricted	2,154,584	2,089,769
Unrestricted	<u>799,824</u>	<u>1,263,120</u>
Total net assets	<u>\$ 8,298,575</u>	<u>\$ 8,816,589</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$8,298,575. At year-end, restricted net assets were \$2,154,584.

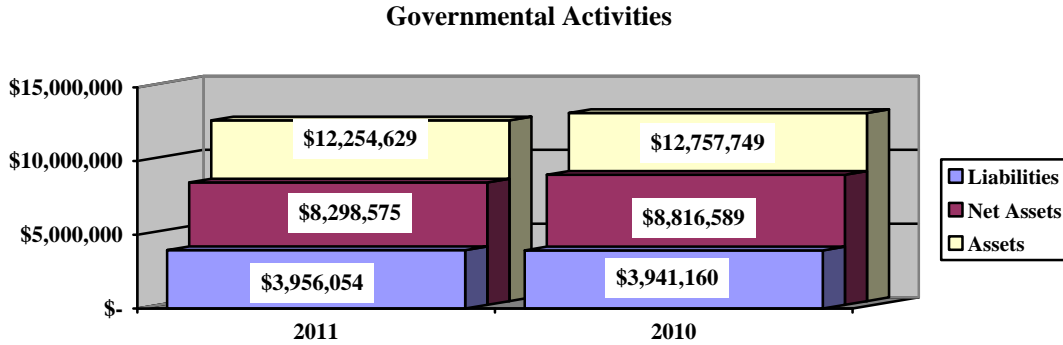
At year-end, capital assets represented 53.26% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2011, were \$5,344,167. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$2,154,584, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is \$799,824.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The graph below shows the District's assets, liabilities, and net assets at June 30, 2011 and 2010.



The table below shows the change in net assets for fiscal year 2011 compared to fiscal year 2010. The 2010 balance of operating grants and contributions and general revenues – grants and entitlements have been restated to conform to 2011 presentation of PATHway to Student Success (PASS) funding from the State of Ohio which is reported as an operating grant and contribution rather than as general revenue.

	Change in Net Assets	
	Governmental Activities 2011	Restated Governmental Activities 2010
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 845,212	\$ 952,584
Operating grants and contributions	2,523,303	2,470,498
General revenues:		
Property taxes	1,106,694	1,079,364
Grants and entitlements	5,277,628	5,166,750
Investment earnings	38,295	47,186
Miscellaneous	<u>272</u>	<u>28,945</u>
 Total revenues	 <u>\$ 9,791,404</u>	 <u>\$ 9,745,327</u>

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Change in Net Assets

	<u>Governmental Activities 2011</u>	<u>Governmental Activities 2010</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	5,120,344	4,465,455
Special	1,111,282	911,452
Vocational	171,243	174,299
Other	89,481	220,610
Support services:		
Pupil	320,281	315,714
Instructional staff	407,609	423,999
Board of education	13,346	14,088
Administration	830,279	740,965
Fiscal	242,007	244,670
Operations and maintenance	996,262	926,186
Pupil transportation	160,417	146,082
Central	59,468	33
Operation of non-instructional services:		
Other non-instructional services	7,447	6,649
Food service operations	428,203	417,899
Extracurricular activities	291,066	269,530
Interest and fiscal charges	<u>60,683</u>	<u>64,158</u>
 Total expenses	 <u>10,309,418</u>	 <u>9,341,789</u>
 Change in net assets	 (518,014)	 403,538
Net assets at beginning of year	<u>8,816,589</u>	<u>8,413,051</u>
Net assets at end of year	<u>\$ 8,298,575</u>	<u>\$ 8,816,589</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$518,014. Total governmental expenses of \$10,309,418 were offset by program revenues of \$3,368,515 and general revenues of \$6,422,889. Program revenues supported 32.67% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 65.20% of total governmental revenue. Tax revenues increased 2.53% from fiscal year 2010 based on the timing of collections. Real estate property is reappraised every six years. Instruction expenses increased during the year due to increased expenditures for regular and special instruction paid from the general fund and expenditures in the poverty aid and education stabilization funds that exceeded expenditures in fiscal year 2010.

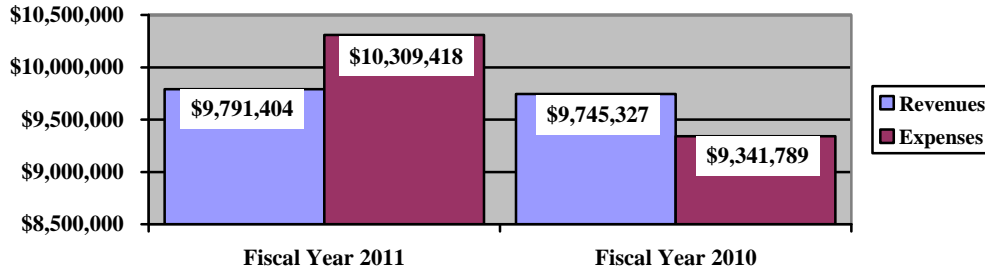
The increase in operating grant program revenues is due in part to education jobs grant funding from the federal government. On the government-wide statement of activities, the District recorded revenue of \$92,846 related to this funding. The revenue related to this grant is specific to fiscal year 2011.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2011 and 2010.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. The 2010 net cost of services for special instruction has been restated to conform to 2010 presentation of PASS funding from the State of Ohio, which is reported as an operating grant and contribution offsetting special instruction.

Governmental Activities

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Restated Net Cost of Services 2010
Program expenses				
Instruction:				
Regular	\$ 5,120,344	\$ 3,535,539	\$ 4,465,455	\$ 2,970,335
Special	1,111,282	295,207	911,452	(97)
Vocational	171,243	148,642	174,299	151,866
Other	89,481	89,481	220,610	220,610
Support services:				
Pupil	320,281	280,580	315,714	287,578
Instructional staff	407,609	191,617	423,999	6,684
Board of education	13,346	13,346	14,088	10,700
Administration	830,279	604,845	740,965	696,272
Fiscal	242,007	236,744	244,670	236,156
Operation and maintenance	996,262	987,406	926,186	911,440
Pupil transportation	160,417	159,821	146,082	145,356
Central	59,468	59,384	33	33
Operation of non-instructional services:				
Other non-instructional services	7,447	(1,536)	6,649	6,649
Food service operations	428,203	59,861	417,899	22,356
Extracurricular activities	291,066	219,283	269,530	188,611
Interest and fiscal charges	60,683	60,683	64,158	64,158
Total expenses	<u>\$ 10,309,418</u>	<u>\$ 6,940,903</u>	<u>\$ 9,341,789</u>	<u>\$ 5,918,707</u>

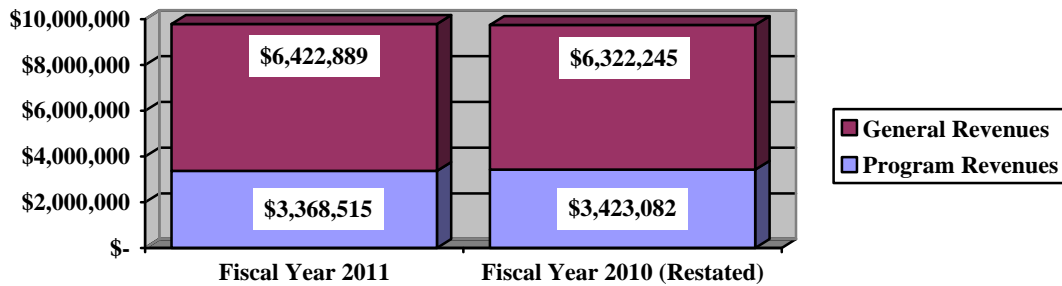
**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The dependence upon tax and other general revenues for governmental activities is apparent, 62.67% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 67.33%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2011 and 2010. The 2010 program revenues and general revenues have been restated to conform to 2011 presentation of PASS funding from the State of Ohio, which is reported as program revenue rather than as general revenue.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$3,066,892, which is higher than last year's restated total of \$3,441,035. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010.

	Fund Balance <u>June 30, 2011</u>	Restated Fund Balance <u>June 30, 2010</u>	Increase (Decrease)
General	\$ 1,573,613	\$ 1,949,322	\$ (375,709)
Permanent Improvement	743,210	680,907	62,303
Other Governmental	<u>750,069</u>	<u>810,806</u>	<u>(60,737)</u>
Total	<u>\$ 3,066,892</u>	<u>\$ 3,441,035</u>	<u>\$ (374,143)</u>

General Fund

The District's general fund balance decreased \$375,709. The table on the following page assists in illustrating the financial activities and fund balance of the general fund.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	2011 <u>Amount</u>	Restated 2010 <u>Amount</u>	Increase (Decrease)	Percentage <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 833,715	\$ 786,394	\$ 47,321	6.02 %
Tuition	698,533	785,066	(86,533)	(11.02) %
Earnings on investments	38,295	47,186	(8,891)	(18.84) %
Intergovernmental	5,530,283	5,704,177	(173,894)	(3.05) %
Other revenues	<u>13,151</u>	<u>20,698</u>	<u>(7,547)</u>	(36.46) %
Total	<u>\$ 7,113,977</u>	<u>\$ 7,343,521</u>	<u>\$ (229,544)</u>	(3.13) %
<u>Expenditures</u>				
Instruction	\$ 4,819,575	\$ 4,536,049	\$ 283,526	6.25 %
Support services	2,479,415	2,447,509	31,906	1.30 %
Extracurricular activities	190,696	188,425	2,271	1.21 %
Debt services	<u>-</u>	<u>20,469</u>	<u>(20,469)</u>	(100.00) %
Total	<u>\$ 7,489,686</u>	<u>\$ 7,192,452</u>	<u>\$ 297,234</u>	4.13 %

Tax revenues in the general fund increased 6.02% due to fluctuations in the amount of tax collected and available for advance at fiscal year-end by the Columbiana County Auditor. Tax advances available are recorded as revenue under GAAP. The amount of tax revenue advances available at year end can vary depending on when the Columbiana County Auditor distributes tax bills. Tuition revenues decreased from fiscal year 2010 due to lower receipts for open enrollment. Intergovernmental revenues and earnings on investments decreased due to lower foundation receipts from the state and lower interest rates on the District's deposits, respectively.

Regular, special, and other instruction expenditures increased from the prior year due to wages and benefits, and contributed to the net 6.25% increase in instruction expenditures. Because the District ended capital lease payments in the prior year, no debt service expenditures were paid from the general fund during fiscal year 2011.

Permanent Improvement Fund

The permanent improvement capital projects fund had \$162,402 in revenues and \$100,099 in expenditures. During fiscal year 2011, the permanent improvement fund's fund balance increased \$62,303 from \$680,907 to \$743,210.

General Fund Budgeting Highlights

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

During the course of fiscal year 2011, the District amended its general fund budget numerous times. For the general fund, original budgeted revenues and other financing sources of \$7,901,360 were decreased to \$7,833,224 in the final budget. Actual revenues and other financing sources for fiscal year 2011 were \$7,089,365. This represents a \$743,859 decrease from final budgeted revenues.

General fund original appropriations of \$10,665,889 were decreased to \$10,597,753 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2011 totaled \$7,331,898, which was \$3,265,855 less than the final budgeted appropriations.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the District had \$6,526,700 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

The following table shows fiscal year 2011 balances compared to 2010.

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

	<u>2011</u>	<u>2010</u>
Land	\$ 291,858	\$ 291,858
Construction in progress	24,900	-
Land improvements	213,247	271,543
Building and improvements	5,671,198	5,948,719
Furniture and equipment	176,111	104,332
Vehicles	<u>149,386</u>	<u>136,112</u>
Total	<u>\$ 6,526,700</u>	<u>\$ 6,752,564</u>

The overall decrease in capital assets of \$225,864 is due to depreciation expense of \$368,850 and disposals of \$26,197, net of accumulated depreciation, exceeding capital outlays of \$169,183, which includes a \$24,900 addition to construction in progress related to the replacement of a portion of the District's football stadium started during fiscal year 2011. See Note 8 to the basic financial statements for additional information regarding the District's capital assets.

Debt Administration

At June 30, 2011, the District had \$1,196,417 in general obligation bonds and an energy conservation loan outstanding. Of this total, \$110,000 is due within one year and \$1,086,417 is due within more than one year. The following table summarizes the bonds, lease and loan outstanding.

Outstanding Debt, at Year End

	<u>Governmental Activities 2011</u>	<u>Governmental Activities 2010</u>
School improvement bonds	\$ -	\$ 75,000
Refunding bond issue	996,417	996,656
Energy conservation loan	<u>200,000</u>	<u>220,000</u>
Total	<u>\$ 1,196,417</u>	<u>\$ 1,291,656</u>

See Note 9 to the basic financial statements for further detail on the District's debt administration.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Current Financial Related Activities

The District is holding its own in the state of a declining economy and uncertainty in State funding. The District is a small rural community of 3,800 in Eastern Ohio. It has a number of small and medium businesses with agriculture having a contributing influence on the economy.

Future finances are not without challenges as the community changes and state funding is revised.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Coleen Wickham, who serves as Treasurer, Wellsville Local School District, 929 Center Street, Wellsville, Ohio 43968.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 3,920,148
Receivables:	
Taxes.	1,482,852
Accounts.	69
Intergovernmental	290,337
Prepayments	19,472
Materials and supplies inventory.	4,289
Unamortized bond issuance costs	10,762
Capital assets:	
Land and construction in progress.	316,758
Depreciable capital assets, net.	6,209,942
Capital assets, net	6,526,700
 Total assets.	 12,254,629
 Liabilities:	
Accounts payable.	192,383
Accrued wages and benefits	665,778
Pension obligation payable	161,831
Intergovernmental payable	23,251
Unearned revenue	1,174,965
Accrued interest payable	3,198
Long-term liabilities:	
Due within one year.	211,839
Due in more than one year.	1,522,809
Total long-term liabilities	1,734,648
 Total liabilities	 3,956,054
 Net Assets:	
Invested in capital assets, net of related debt.	5,344,167
Restricted for:	
Capital projects	937,532
Classroom facilities maintenance	324,987
Debt service.	196,586
Locally funded programs	1,050
State funded programs.	22,744
Federally funded programs	74,157
Student activities	25,172
Other purposes	572,356
Unrestricted	799,824
 Total net assets	 \$ 8,298,575

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 5,120,344	\$ 660,238	\$ 924,567	\$ (3,535,539)
Special	1,111,282	48,923	767,152	(295,207)
Vocational	171,243	-	22,601	(148,642)
Other	89,481	-	-	(89,481)
Support services:				
Pupil	320,281	-	39,701	(280,580)
Instructional staff	407,609	-	215,992	(191,617)
Board of education	13,346	-	-	(13,346)
Administration	830,279	-	225,434	(604,845)
Fiscal	242,007	-	5,263	(236,744)
Operations and maintenance	996,262	214	8,642	(987,406)
Pupil transportation	160,417	-	596	(159,821)
Central	59,468	-	84	(59,384)
Operation of non-instructional services:				
Other non-instructional services	7,447	-	8,983	1,536
Food service operations	428,203	65,850	302,492	(59,861)
Extracurricular activities	291,066	69,987	1,796	(219,283)
Interest and fiscal charges	60,683	-	-	(60,683)
Totals	<u>\$ 10,309,418</u>	<u>\$ 845,212</u>	<u>\$ 2,523,303</u>	<u>(6,940,903)</u>

General Revenues:

Property taxes levied for:	
General purposes	853,764
Capital projects	129,104
Debt service	107,351
Special revenue	16,475
Grants and entitlements not restricted to specific programs	5,277,628
Investment earnings	38,295
Miscellaneous	272
Total general revenues	<u>6,422,889</u>
Change in net assets	(518,014)
Net assets at beginning of year	<u>8,816,589</u>
Net assets at end of year	<u>\$ 8,298,575</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents.	\$ 1,852,508	\$ 738,569	\$ 773,129	\$ 3,364,206
Receivables:				
Taxes.	1,143,291	172,909	166,652	1,482,852
Accounts	69	-	-	69
Intergovernmental.	1,184	-	289,153	290,337
Prepayments.	19,472	-	-	19,472
Materials and supplies inventory.	-	-	4,289	4,289
Due from other funds	58,945	-	-	58,945
Restricted assets:				
Equity in pooled cash and cash equivalents	555,942	-	-	555,942
Total assets	<u>\$ 3,631,411</u>	<u>\$ 911,478</u>	<u>\$ 1,233,223</u>	<u>\$ 5,776,112</u>
Liabilities:				
Accounts payable	\$ 157,721	\$ -	\$ 34,662	\$ 192,383
Accrued wages and benefits.	555,880	-	109,898	665,778
Compensated absences payable	72,558	-	-	72,558
Pension obligation payable	138,351	-	23,480	161,831
Intergovernmental payable	19,331	-	3,920	23,251
Due to other funds	-	-	58,945	58,945
Deferred revenue	207,275	31,809	120,425	359,509
Unearned revenue.	906,682	136,459	131,824	1,174,965
Total liabilities.	<u>2,057,798</u>	<u>168,268</u>	<u>483,154</u>	<u>2,709,220</u>
Fund Balances:				
Nonspendable:				
Materials and supplies inventory.	-	-	4,289	4,289
Prepays.	19,472	-	-	19,472
Restricted:				
Debt service	-	-	173,622	173,622
Capital improvements	-	321,556	162,513	484,069
Classroom facilities maintenance	-	-	320,897	320,897
Food service operations	-	-	28,853	28,853
Public school preschool	-	-	284	284
Targeted academic assistance	-	-	7,553	7,553
Other purposes.	-	-	67,474	67,474
Extracurricular.	-	-	25,172	25,172
School bus purchase	6,884	-	-	6,884
Textbooks	549,058	-	-	549,058
Committed:				
Capital improvements	-	421,654	-	421,654
Underground storage tank	11,000	-	-	11,000
Assigned:				
Student instruction	386	-	-	386
Student and staff support.	7,846	-	-	7,846
Adult education.	2,741	-	-	2,741
Unassigned (deficit)	976,226	-	(40,588)	935,638
Total fund balances	<u>1,573,613</u>	<u>743,210</u>	<u>750,069</u>	<u>3,066,892</u>
Total liabilities and fund balances	<u>\$ 3,631,411</u>	<u>\$ 911,478</u>	<u>\$ 1,233,223</u>	<u>\$ 5,776,112</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011

Total governmental fund balances		\$	3,066,892
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			6,526,700
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	268,152	
Intergovernmental receivable		91,357	
Total		359,509	359,509
Unamortized bond issuance costs are not recognized in the funds.			10,762
Unamortized premiums on bond issuance costs are not recognized in the funds.			(58,545)
Unamortized amounts on refundings are not recognized in the funds.			46,012
On the statement of net assets, interest is accrued on outstanding bonds, whereas in governmental funds, interest is reported when due.			(3,198)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(996,417)	
Energy conservation loan		(200,000)	
Compensated absences		(453,140)	
Total		(1,649,557)	(1,649,557)
Net assets of governmental activities		\$	8,298,575

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 833,715	\$ 126,086	\$ 121,073	\$ 1,080,874
Tuition	698,533	-	-	698,533
Earnings on investments	38,295	-	-	38,295
Charges for services	-	-	66,064	66,064
Extracurricular	9,912	-	68,224	78,136
Classroom materials and fees	1,867	-	-	1,867
Contributions and donations	488	-	-	488
Other local revenues	884	-	2,283	3,167
Intergovernmental - state	5,530,283	36,316	350,008	5,916,607
Intergovernmental - federal	-	-	1,908,783	1,908,783
Total revenues	<u>7,113,977</u>	<u>162,402</u>	<u>2,516,435</u>	<u>9,792,814</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,717,012	-	1,097,537	4,814,549
Special	841,878	-	279,960	1,121,838
Vocational	171,204	-	-	171,204
Other	89,481	-	-	89,481
Support services:				
Pupil	274,238	-	45,914	320,152
Instructional staff	158,167	-	248,987	407,154
Board of education	13,346	-	-	13,346
Administration	590,854	-	241,223	832,077
Fiscal	223,984	1,565	8,007	233,556
Operations and maintenance	1,023,157	58,030	10,810	1,091,997
Pupil transportation	139,042	-	735	139,777
Central	56,627	-	104	56,731
Operation of non-instructional services:				
Other non-instructional services	-	-	7,454	7,454
Food service operations	-	-	418,931	418,931
Extracurricular activities	190,696	-	61,089	251,785
Facilities acquisition and construction	-	40,504	-	40,504
Debt service:				
Principal retirement	-	-	105,000	105,000
Interest and fiscal charges	-	-	51,421	51,421
Total expenditures	<u>7,489,686</u>	<u>100,099</u>	<u>2,577,172</u>	<u>10,166,957</u>
Net change in fund balances	(375,709)	62,303	(60,737)	(374,143)
Fund balances at beginning of year (restated).	1,949,322	680,907	810,806	3,441,035
Fund balances at end of year	<u>\$ 1,573,613</u>	<u>\$ 743,210</u>	<u>\$ 750,069</u>	<u>\$ 3,066,892</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds \$ (374,143)

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.

Capital asset additions	\$ 169,183	
Current year depreciation	(368,850)	
Total		(199,667)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.

(26,197)

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

Taxes	25,820	
Intergovernmental	(27,958)	
Total		(2,138)

Repayment of loan and bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.

105,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:

Decrease in accrued interest payable	311	
Accreted interest on capital appreciation bonds	(9,761)	
Amortization of deferred charges	(4,886)	
Amortization of bond premiums	6,217	
Amortization of bond issuance costs	(1,143)	
Total		(9,262)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(11,607)

Change in net assets of governmental activities **\$ (518,014)**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 689,362	\$ 683,417	\$ 819,605	\$ 136,188
Tuition	578,415	573,427	698,533	125,106
Earnings on investments	32,112	31,835	38,295	6,460
Extracurricular	3,251	3,223	-	(3,223)
Classroom materials and fees	1,606	1,592	1,867	275
Contributions and donations	401	398	250	(148)
Other local revenues	803	796	428	(368)
Intergovernmental - state	6,595,249	6,538,377	5,530,282	(1,008,095)
Total revenues	<u>7,901,199</u>	<u>7,833,065</u>	<u>7,089,260</u>	<u>(743,805)</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,992,681	4,960,785	3,644,829	1,315,956
Special	1,243,918	1,235,971	839,008	396,963
Vocational	270,661	268,932	170,645	98,287
Other	177,981	176,844	98,941	77,903
Support services:				
Pupil	542,032	538,569	279,950	258,619
Instructional staff	297,094	295,196	148,917	146,279
Board of education	14,317	14,226	13,109	1,117
Administration	707,765	703,244	558,112	145,132
Fiscal	299,736	297,822	216,165	81,657
Operations and maintenance	1,547,909	1,538,021	970,573	567,448
Pupil transportation	194,102	192,862	127,575	65,287
Central	75,360	74,879	55,828	19,051
Extracurricular activities	275,029	273,272	188,929	84,343
Total expenditures	<u>10,638,585</u>	<u>10,570,623</u>	<u>7,312,581</u>	<u>3,258,042</u>
Excess of expenditures over revenues	<u>(2,737,386)</u>	<u>(2,737,558)</u>	<u>(223,321)</u>	<u>2,514,237</u>
Other financing sources (uses):				
Refund of prior year's expenditures	161	159	105	(54)
Refund of prior year's receipts	(27,304)	(27,130)	(19,317)	7,813
Total other financing sources (uses)	<u>(27,143)</u>	<u>(26,971)</u>	<u>(19,212)</u>	<u>7,759</u>
Net change in fund balance	(2,764,529)	(2,764,529)	(242,533)	2,521,996
Fund balance at beginning of year	2,560,983	2,560,983	2,560,983	-
Prior year encumbrances appropriated	115,381	115,381	115,381	-
Fund balance (deficit) at end of year	<u>\$ (88,165)</u>	<u>\$ (88,165)</u>	<u>\$ 2,433,831</u>	<u>\$ 2,521,996</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2011

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 255,931	\$ 37,542
Receivables:		
Accounts	-	219
Intergovernmental	-	68
Total assets	255,931	\$ 37,829
Liabilities:		
Accounts payable	-	\$ 4,801
Due to students.	-	33,028
Total liabilities.	-	\$ 37,829
Net assets:		
Held in trust for scholarships.	255,931	
Total net assets.	\$ 255,931	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 6,532
Total additions.	6,532
 Deductions:	
Scholarships awarded	9,171
Change in net assets.	(2,639)
Net assets at beginning of year	258,570
Net assets at end of year.	\$ 255,931

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Wellsville Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Wellsville Local School District is a local school district as defined by §3311.22 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's seven instructional/support facilities staffed by 35 non-certified and 68 certified full-time teaching personnel who provide services to 873 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental activities provided it does not conflict with or contradict GASB pronouncements. Following are the more significant of the District's accounting policies.

A. The Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationship to the District.

JOINTLY GOVERNED ORGANIZATIONS

Area Cooperative Computerized Educational Service System (ACCESS)

ACCESS is a jointly governed organization among 23 school districts, 1 community school, 1 special education resource center, 2 county educational service centers and 2 career and technical centers. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The nine-member Board of Directors consists of 2 treasurers and 6 superintendents from participating school districts. The ACCESS treasurer is an ex-officio member of the Board of Directors. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Treasurer for the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 DeBartolo Place, Youngstown, Ohio 44512.

Columbiana County Career Center

The Columbiana County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Columbiana County Career Center, Katherine Bosco, who serves as Treasurer, at 9364 State Route 45, Lisbon, Ohio 44432.

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

B. Fund Accounting

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

GOVERNMENTAL FUNDS

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

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Permanent improvement fund - The permanent improvement fund is used to account for financial resources that are restricted, committed or assigned to expenditures for the acquisition or construction of capital facilities and other capital assets.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and capital assets other than those accounted for in the permanent improvement fund, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects, and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period, including delinquent property taxes due at June 30, 2011, are recorded as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the fund financial statements as an expenditure with a like amount reported as intergovernmental revenue.

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. 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 resolution, 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 Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control is at the function level within the general fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by the Board of Education. Budgetary allocations at the object level within the general fund and the function and object level in all other funds are made by the Treasurer.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Treasurer. 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 Board.

The appropriation resolution 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 resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2011, investments were limited to investments in nonnegotiable certificates of deposit (CD's) and the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio investments are reported at fair value which is based on quoted market prices. Certificates of deposit are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2011. 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 shares price, which is the price the investment could be sold for on June 30, 2011.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$38,295, which includes \$15,554 assigned from other District funds.

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

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

On the fund financial statements, supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributor's grantors, or laws of other government or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set-aside for bus purchases and textbooks.

I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District's capitalization threshold is \$2,500. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

Description	Governmental Activities Estimated Lives
Land improvements	15 - 30 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 15 years

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans to cover negative cash balances are classified as “due to/from other funds”. These amounts are eliminated in the governmental activities column on the statement of net assets.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

L. Accrued Liabilities and Long-Term Obligations

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In general, governmental fund payables and accrued liabilities that once incurred are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term bonds and loans are recognized as a liability on the governmental fund financial statements when due.

M. Unamortized Bond Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 9.A.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes, consists of monies restricted by State statute for instructional materials, monies restricted by the State of Ohio for school bus purchases and monies restricted for food service operations.

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

O. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

P. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

At the fiscal year end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is nonspendable on the fund financial statements by an amount equal to the carrying value of assets.

Q. Interfund Activity

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

Interfund activity between governmental funds is eliminated in the statement of activities.

R. Estimates

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2011.

T. Budget Stabilization Arrangement

The District has established a budget stabilization reserve in accordance with authority established by State law. Additions to the stabilization reserve can only be made by formal resolution of the Board of Education. Expenditures out of the budget stabilization reserve can only be made to offset future budget deficits. At June 30, 2011, the balance in the budget stabilization reserve was \$70,567. This amount is included in unassigned fund balance of the general fund and in unrestricted net assets on the statement of net assets.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

B. Fund Reclassifications

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund balance as previously reported	\$ 1,928,073	\$ 680,907	\$ 832,055	\$ 3,441,035
Fund reclassifications:				
Public school support fund	7,508	-	(7,508)	-
Adult education	2,741	-	(2,741)	-
Underground storage tank fund	<u>11,000</u>	<u>-</u>	<u>(11,000)</u>	<u>-</u>
Total fund reclassifications	<u>21,249</u>	<u>-</u>	<u>(21,249)</u>	<u>-</u>
Restated fund balance at July 1, 2010	<u>\$ 1,949,322</u>	<u>\$ 680,907</u>	<u>\$ 810,806</u>	<u>\$ 3,441,035</u>

The fund reclassifications did not have an effect on net assets as previously reported.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Deficit Fund Balances

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Education jobs	\$ 28,397
IDEA Part-B special education	11,878
Stimulus Title II-D	5
Improving teacher quality	308

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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 obligations or securities 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;

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Deposits with Financial Institutions

At June 30, 2011, the carrying amount of all District deposits, including \$2,399,155 in nonnegotiable certificates of deposit, was \$4,206,013. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$1,554,788 of the District's bank balance of \$4,381,331 was exposed to custodial risk as discussed below, while \$2,826,543 was covered by the FDIC.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

B. Investments

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

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	<u>\$ 7,608</u>	<u>\$ 7,608</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

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

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	<u>\$ 7,608</u>	<u>100.00</u>

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 4,206,013
Investments	<u>7,608</u>
Total	<u>\$ 4,213,621</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 3,920,148
Private-purpose trust funds	255,931
Agency funds	<u>37,542</u>
Total	<u>\$ 4,213,621</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2011, as reported on the fund statements, consist of the following amounts due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 58,945</u>

The primary purpose of the interfund balances is to cover negative cash balances in specific funds where revenues were requested, but were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. The District met the exception requirements of Ohio Revised Code Section 3315.20, allowing a negative cash balance in these funds.

Interfund balances between governmental funds are eliminated on the government-wide statement of net assets.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, 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 revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, 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 revenues received in the District's fiscal year ended June 30, 2011 (other than public utility property) generally represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

The District receives property taxes from Columbiana County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$30,518 in the general fund, \$3,984 in the debt service fund (a nonmajor governmental fund), \$4,641 in the permanent improvement fund and \$592 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2010 was \$16,408 in the general fund, \$2,142 in the debt service fund (a nonmajor governmental fund), \$2,571 in the permanent improvement fund and \$331 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 6 - PROPERTY TAXES - (Continued)

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

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 43,936,860	93.92	\$ 43,663,420	93.83
Public utility personal	2,680,250	5.73	2,873,230	6.17
Tangible personal property	<u>161,580</u>	<u>0.35</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 46,778,690</u>	<u>100.00</u>	<u>\$ 46,536,650</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$38.65		\$38.65	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011, consisted of property taxes, accounts (rent and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of receivables follows:

Governmental activities:

Taxes	\$ 1,482,852
Accounts	69
Intergovernmental	<u>290,337</u>
Total	<u>\$ 1,773,258</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 8 - CAPITAL ASSETS

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

	Balance			Balance
	<u>June 30, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2011</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 291,858	\$ -	\$ -	\$ 291,858
Construction in progress	-	24,900	-	24,900
Total capital assets, not being depreciated	<u>291,858</u>	<u>24,900</u>	<u>-</u>	<u>316,758</u>
Capital assets, being depreciated:				
Land improvements	752,838	-	(149,700)	603,138
Building and improvements	10,280,527	12,900	-	10,293,427
Furniture and equipment	690,403	96,493	(4,418)	782,478
Vehicles	312,270	34,890	-	347,160
Total capital assets, being depreciated	<u>12,036,038</u>	<u>144,283</u>	<u>(154,118)</u>	<u>12,026,203</u>
Less: accumulated depreciation				
Land improvements	(481,295)	(32,099)	123,503	(389,891)
Building and improvements	(4,331,808)	(290,421)	-	(4,622,229)
Furniture and equipment	(586,071)	(24,714)	4,418	(606,367)
Vehicles	(176,158)	(21,616)	-	(197,774)
Total accumulated depreciation	<u>(5,575,332)</u>	<u>(368,850)</u>	<u>127,921</u>	<u>(5,816,261)</u>
Governmental activities capital assets, net	<u>\$ 6,752,564</u>	<u>\$ (199,667)</u>	<u>\$ (26,197)</u>	<u>\$ 6,526,700</u>

During year fiscal year 2011, the District began construction to replace a portion of the stadium. Contractual commitments related to this project are found in Note 17. At June 30, 2011, construction in progress associated with the project was \$24,900.

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 307,543
Special	1,915
Support services:	
Fiscal	833
Operations and maintenance	15,701
Pupil transportation	19,871
Food service operations	9,903
Extracurricular activities	<u>13,084</u>
Total depreciation expense	<u>\$ 368,850</u>

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 9 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2011, the following changes occurred in governmental activities long-term obligations:

	Balance			Balance	Amounts
	<u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2011</u>	<u>Due in</u>
					<u>One Year</u>
Governmental activities:					
Series 2007 refunding bonds	\$ 996,656	\$ 9,761	\$ (10,000)	\$ 996,417	\$ 90,000
Series 1998 school improvement bonds	75,000	-	(75,000)	-	-
Energy conversation loan	220,000	-	(20,000)	200,000	20,000
Compensated absences	<u>523,363</u>	<u>103,045</u>	<u>(100,710)</u>	<u>525,698</u>	<u>101,839</u>
Total long-term obligations, governmental activities	<u>\$ 1,815,019</u>	<u>\$112,806</u>	<u>\$ (205,710)</u>	1,722,115	<u>\$ 211,839</u>
				(46,012)	
				<u>58,545</u>	
				<u>\$ 1,734,648</u>	

Compensated absences, which consisted of sick leave, early retirement incentive and vacation, will be paid from the fund from which the employee is paid, primarily the general fund and food service fund (a nonmajor governmental fund).

- B. Series 1998 School Improvement Bond - On May 1, 1998, the District issued \$1,709,000 in general obligation bonds (Series 1998 School Improvement bond) to provide funds for various District building improvements. These bonds were general obligations of the District for which the full faith and credit of the District is pledged for repayment. The District retired the bond issue in full during fiscal year 2011. Payments of principal and interest relating to these bonds are recorded as expenditures in the debt service fund (a nonmajor governmental fund).

During fiscal year 2008, \$995,000 of the current interest bonds were refunded by the Series 2007 Refunding Bonds described in Note 9.D.

Interest payments on the current interest bonds were due on June 1 and December 1 of each year. The final maturity on the non-refunded bonds was stated in the issue is December 1, 2010. The original issue had varying interest rates from 4.35 percent to 5.65 percent.

- C. Energy Conservation Loan - In August 2004, the District issued energy conservation notes for the purpose of providing energy conservation measures for the District, under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The notes were issued for a fifteen-year period with final maturity during fiscal year 2020, with an interest rate of 3.0%. The loan will be retired from the debt service fund (a nonmajor governmental fund).

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the District's future annual debt service requirements to maturity for the energy conservation loan:

Year Ended	Energy Conservation Loan		
	Principal	Interest	Total
2012	\$ 20,000	\$ 10,261	\$ 30,261
2013	20,000	9,311	29,311
2014	25,000	8,335	33,335
2015	25,000	7,115	32,115
2016	25,000	5,864	30,864
2017 - 2019	85,000	9,533	94,533
Total	<u>\$ 200,000</u>	<u>\$ 50,419</u>	<u>\$ 250,419</u>

D. Refunding Bonds - Series 2007

On October 18, 2007, the District issued general obligation bonds (Series 2007 Refunding Bonds) to advance refund the callable portion of the Series 1998 school improvement general obligation bonds (callable principal \$995,000). The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

The refunding issue is comprised of both current interest bonds, par value \$970,000 and capital appreciation bonds, par value \$25,000. The capital appreciation bonds mature December 1, 2014, (effective interest rate 4.0%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$100,000. Total accreted interest of \$26,417 has been included in the statement of net assets at June 30, 2011.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for the Series 2007 refunding bonds:

	Balance			Balance	Amounts
	<u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2011</u>	<u>Due in</u>
					<u>One Year</u>
Series 2007, refunding current interest bonds 12/01/16 maturity	\$ 955,000	\$ -	\$ (10,000)	\$ 945,000	\$ 90,000
Series 2007, refunding capital appreciation bonds 4.0% (effective interest), 12/1/14 maturity	25,000	-	-	25,000	-
Series 2007, refunding capital appreciation bonds accrued interest	<u>16,656</u>	<u>9,761</u>	<u>-</u>	<u>26,417</u>	<u>-</u>
Total	<u>\$ 996,656</u>	<u>\$ 9,761</u>	<u>\$ (10,000)</u>	<u>\$ 996,417</u>	<u>\$ 90,000</u>

The reacquisition price exceeded the net carrying amount of the old debt by \$64,132. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

The following is a summary of the future debt service requirements to maturity for the Series 2007 refunding bonds:

Fiscal Year	Current Interest Bonds			Capital Appreciation Bonds		
	<u>Refunding Bonds (Series 2007)</u>			<u>Refunding Bonds (Series 2007)</u>		
<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 90,000	\$ 36,177	\$ 126,177	\$ -	\$ -	\$ -
2013	90,000	32,578	122,578	-	-	-
2014	95,000	28,878	123,878	-	-	-
2015	-	26,978	26,978	25,000	75,000	100,000
2016	100,000	24,978	124,978	-	-	-
2017 - 2021	<u>570,000</u>	<u>59,225</u>	<u>629,225</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 945,000</u>	<u>\$ 208,814</u>	<u>\$ 1,153,814</u>	<u>\$ 25,000</u>	<u>\$ 75,000</u>	<u>\$ 100,000</u>

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

E. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2011, are a voted debt margin of \$3,391,921 (including available funds of \$173,622) and an unvoted debt margin of \$46,537.

NOTE 10 - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 300 days for classified employees and 300 days for certificated employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 69 days in 2011 for classified employees and maximum of 68 days in 2011 for certified employees.

During fiscal year 2011, the District offered a \$1,000 retirement incentive to classified employees and a \$7,500 retirement incentive to certified employees. Three certified employees accepted the incentive during the year. This is reflected in compensated absences on the general fund balance sheet and long-term liabilities due within one year on the statement of net assets.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the District's insurance coverage through Ohio Casualty Insurance Corporation was as follows:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Liability Limit</u>
Building and contents	\$ 1,000	\$ 29,387,454
Automobile liability	500	1,000,000
Uninsured motorists		1,000,000
General liability:		
Per occurrence		1,000,000
General aggregate		2,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in coverage from the previous year.

B. Workers' Compensation Program

For fiscal year 2011, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 2). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniService, Inc. provides administrative, cost control and actuarial services to the GRP.

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 12 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$115,452, \$122,916 and \$84,139, respectively; 55.86 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 12 - PENSION PLANS - (Continued)

Funding Policy - For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$485,675, \$483,501 and \$455,180, respectively; 83.26 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$24,854 made by the District and \$17,753 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Media/Financial Reports*".

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010 and 2009 were \$28,209, \$18,245 and \$51,822, respectively; 55.86 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$7,430, \$7,310 and \$6,942, respectively; 55.86 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$37,360, \$37,192 and \$35,014, respectively; 83.26 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 14 - SET-ASIDES

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

The following cash basis information describes the change in the fiscal year-end set-aside amounts for textbooks and capital improvements. Disclosure of this information is required by State statute. The capital improvements set-aside balance at June 30, 2010 has been restated to incorporate offsets from the District's 1998 bond issue not used in prior years.

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside balance June 30, 2010 (restated)	\$ 447,970	\$ -
Current year set-aside requirement	134,578	134,578
Contributions in excess of the current fiscal year set-aside requirement	-	-
Current year qualifying expenditures	(33,490)	-
Excess qualified expenditures from prior years	-	-
Current year offsets	-	(134,578)
Waiver granted by ODE	-	-
Prior year offset from bond proceeds	-	-
Total	<u>\$ 549,058</u>	<u>\$ -</u>
Balance carried forward to fiscal year 2012	<u>\$ -</u>	<u>\$ -</u>
Set-aside balance June 30, 2011	<u>\$ 549,058</u>	<u>\$ -</u>

The District did not have enough qualifying disbursements and offsets during the fiscal year to reduce the textbook set-aside amount to below zero. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This balance is therefore not being presented as being carried forward to the future fiscal year.

The District had offsets during the fiscal year that reduced the set-aside amount to zero for the capital improvements set-aside. During fiscal year 1998, the District issued \$1,709,000 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition set-aside to zero for future years. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$1,418,429 at June 30, 2011.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 14 - SET-ASIDES - (Continued)

A schedule of the restricted assets at June 30, 2011 follows:

Amount restricted for textbooks	\$ 549,058
Amount restricted for school bus purchases	<u>6,884</u>
Total restricted cash	<u>\$ 555,942</u>

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (242,533)
Net adjustment for revenue accruals	14,111
Net adjustment for expenditure accruals	(178,883)
Net adjustment for other sources/uses	19,212
Funds budgeted elsewhere	(6,222)
Adjustment for encumbrances	18,606
GAAP basis	<u>\$ (375,709)</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the adult education fund, the public school support fund and the underground storage tank fund.

NOTE 16 - CONTINGENCIES

Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 District at June 30, 2011.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 17 - CONTRACTUAL COMMITMENTS

As a result of construction in progress at June 30, 2011, the District had the following outstanding contractual commitments at fiscal year-end:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Costs Incurred</u>	<u>Contract Outstanding</u>
Specialty Stands	\$ 230,300	\$ -	\$ 230,300
A&I Architecture	24,900	(24,900)	-
Gil Thermes	8,996	-	8,996
Seider Engineering	4,500	-	4,500
D.W. Dickey	<u>1,168</u>	<u>-</u>	<u>1,168</u>
Total Contractual Commitments	<u>\$ 269,864</u>	<u>\$ (24,900)</u>	<u>\$ 244,964</u>

NOTE 18 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 6,946
Permanent improvement	6,494
Other governmental	<u>5,872</u>
Total	<u>\$ 19,312</u>

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY
FEDERAL AWARDS EXPENDITURES SCHEDULE
JUNE 30, 2011**

Federal Grantor/Pass Through Grantor Program Title	Pass-Through Entity No.	Federal CFDA No.	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster				
Non Cash Assistance: National School Lunch Program			\$27,514	\$27,514
Cash Assistance: National School Lunch Program	04-PU-10	10.555	202,449	202,449
National School Breakfast Program	05-PU-11	10.553	<u>63,473</u>	<u>63,473</u>
Cash Assistance Subtotal			265,922	265,922
Total U.S. Department of Agriculture - Nutrition Cluster (Cash and Non-Cash)			293,436	293,436
U.S. Department of Education				
<i>Passed Through Ohio Department of Education:</i>				
Title I - Grants to Local Educational Agencies (ESEA Title I) ARRA	C1-S1-2010 C1-S1-2011	84.010	107,946 284,251 <u>127,560</u>	112,992 272,617 <u>173,751</u>
Total Title I - Grants to Local Education Agencies			519,757	559,360
Special Education Cluster:				
Special Education Grants to States (IDEA Part B)	6B-SF-2010 6B-SF-2011	84.027	46,936 157,629	29,339 173,022
ARRA	2010	84.391	0	1,500
ARRA	2011		<u>86,092</u>	<u>115,721</u>
Total Special Education Cluster			290,657	319,582
Title II-A Improving Tchr Quality Program	TR-S1-2010 TR-S1-2011	84.367	11,875 <u>67,974</u>	12,175 <u>68,025</u>
Total Title II-A Improving Teacher Quality Program			79,849	80,200
Safe and Drug Free Schools and Communities - State Grants	DR-S1-2010 DR-S1-2011	84.186	717 <u>602</u>	829 <u>602</u>
Total Safe and Drug Free Schools and Communities - State Grants			1,319	1,431
Education Technology State Grants Title II-D	TJ-S1-2010 TJ-S1-2011	84.318	0 <u>1,143</u>	0 <u>1,143</u>
Total Education Technology State Grants Title II-D			1,143	1,143
Rural and Low Income Title VIB	2010 2011	84.358	4,613 <u>19,061</u>	-6,112 <u>21,157</u>
Total Rural and Low Income Title VIB			23,674	15,045
ARRA State Fiscal Stabilization Fund	2010 2011	84.394	460,503	127,895 <u>434,796</u>
Total ARRA Budget Stabilization			460,503	562,691
Education Jobs		84.410	232,798	241,831
Total Department of Education			<u>1,609,700</u>	<u>1,781,283</u>
Total Federal Awards			<u>\$1,903,136</u>	<u>\$2,074,719</u>

See the notes to the Federal Awards Expenditures Schedule.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO FEDERAL AWARDS EXPENDITURES SCHEDULE
JUNE 30, 2011**

A. SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) reports the District's federal award programs receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

B. CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U. S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Government assumes it expends federal monies first.

C. FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities. At June 30, 2011, the District had no significant food commodities in inventory.

D. REPORT REISSUANCE

The accompanying Federal Awards Expenditure Schedule replaces the Schedule for the Wellsville Local School District fiscal year ended June 30, 2011, previously issued with our report dated February 9, 2012. You should rely on this report rather than our report dated February 9, 2012. The Schedule was revised as an incorrect Schedule was erroneously included.

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Dave Yost • Auditor of State

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

Wellsville Local School District
Columbiana County
929 Center Street
Wellsville, Ohio 43968

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Wellsville Local School District, Columbiana County, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 9, 2012, in which we noted the District implemented Government Accounting Standards Board Statement 54, "Fund Balance and Governmental Fund Type Definitions". We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-01.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 9, 2012.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

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



Dave Yost
Auditor of State

February 9, 2012



Dave Yost • Auditor of State

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

Wellsville Local School District
Columbiana County
929 Center Street
Wellsville, Ohio 43968

To the Board of Education:

Compliance

We have audited the compliance of Wellsville Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Wellsville Local School District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

As described in finding 2011-02 in the accompanying schedule of findings, the District did not comply with requirements regarding cash management for the State Fiscal Stabilization Fund major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Wellsville Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011. We noted matters involving federal compliance not requiring inclusion in this report that we reported to the district's management in a separate letter dated February 9, 2012.

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Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent or to timely detect and correct noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2011-02 to be a material weakness.

The District's response to the finding we identified is described in the accompanying schedule of findings. We did not audit the District's response and accordingly, we express no opinion on it.

We also noted matters involving federal compliance not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 9, 2012.

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



Dave Yost
Auditor of State

February 9, 2012

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
June 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified – Title I and Special Education Qualified - State Fiscal Stabilization Fund
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Title I 84.010,84.389 Special Education Cluster 84.027, 84.391 State Fiscal Stabilization Fund Grant 84.394
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

Finding Number 2011-01

Noncompliance

Ohio Revised Code Section 5705.41(B) prohibits a subdivision from making expenditure unless it has been properly appropriated. Expenditures exceeded appropriations in the Title VI B Fund by \$51,474 as \$274,117 was appropriated and \$325,591 was expended.

The failure to limit expenditures plus encumbrances to the amount appropriated by the District could result in overspending and negative cash balances. The Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Treasurer should request the Board of Education to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Officials' Response:

In the future, the Treasurer appropriate funds, certify available funds, increase appropriations and amend estimated resources in the correct manner.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Cash Management

Finding Number	2011-02
CFDA Title and Number	State Fiscal Stabilization Fund 84.394
Federal Award Number / Year	2011
Federal Agency	U. S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance/Material Weakness

34 CFR 80.20 (b)(7) states in part: "When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements." Procedures for minimizing the time elapsing between the transfer of funds from the US Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used.

In the State Fiscal Stabilization Fund (CFDA #84.394), the District maintained balances averaging \$75,000/ month. Interest earned on these funds using the U.S. Treasurer Current Value of funds rate total \$750 as of June 30, 2011. An amount of \$100 per entity per year may be retained under 34 CFR Section 80.21 for administrative expenses. Interest earned in excess of that must be remitted to the U.S. Department of Education via check sent to the Ohio Department of Education.

By not minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees, future funding to the District could be at risk. The District should take steps to spend federal monies within the month that they are received.

Officials' Response:

In an effort to spend the State Fiscal Stabilization Fund in the most efficient way we chose to disburse the funds at a slower pace than the compliance allowed. In the future, The District will spend the monies within the month that they are received.

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Wellsville Local School District
Columbiana County
929 Center Street
Wellsville, Ohio 43968

To the Board of Education:

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

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

1. We noted the Board of Education amended its anti-harassment policy at its meeting on November 15, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

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

Dave Yost
Auditor of State

February 9, 2012

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WELLSVILLE LOCAL SCHOOL DISTRICT

COLUMBIANA 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
DECEMBER 20, 2012