



Dave Yost • Auditor of State



**WELLSTON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Wellston City School District  
Jackson County  
One East Broadway Street  
Wellston, Ohio 45692

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wellston City School District, Jackson County, Ohio (the School District), as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Wellston City School District, Jackson 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.

As described in Note 3, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2012, on our consideration of the School 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.

Accounting principles generally accepted in the United States of America require this presentation to include Management's Discussion and Analysis, as listed in 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 the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule (the Schedule) provides additional information required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The 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. This Schedule was subject to the 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 and other records used to prepare the basic financial statements or to 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.



**Dave Yost**  
Auditor of State

February 28, 2012

## Wellston City School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2011

Unaudited

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

### FINANCIAL HIGHLIGHTS

**Key financial highlights for fiscal year 2011 are as follows:**

- Net assets of governmental activities increased \$3,337,283.
- General revenues accounted for \$15,988,899 in revenue or 75.9 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$5,084,442 or 24.1 percent of total revenues of \$21,073,341.
- The School District had \$17,736,058 in expenses related to governmental activities; only \$5,084,442 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues (primarily taxes and intergovernmental) of \$15,988,899 were adequate to cover the remaining expenses.
- Total governmental funds had \$23,299,540 in revenues and other financing sources and \$20,430,210 in expenditures and other financing uses. The total governmental fund balance increased \$2,869,330.

### 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 School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

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

### **Reporting the School District as a Whole**

#### *Statement of Net Assets and Statement of Activities*

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

## Wellston City School District, Ohio

*Management's Discussion and Analysis*

*For the Fiscal Year June 30, 2011*

*Unaudited*

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

In the Statement of Net Assets and the Statement of Activities, all of the School District's activities are reported as governmental including instruction, support services, operation of non-instructional services, debt service, and extracurricular activities.

### ***Reporting the School District's Most Significant Funds***

#### *Fund Financial Statements*

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Classroom Facilities Capital Projects Fund.

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

***Fiduciary Funds*** The School District accounts for resources held for the benefit of parties outside the government as fiduciary funds. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the School District's own programs. The School District uses accrual accounting for its fiduciary fund.



# Wellston City School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year June 30, 2011

Unaudited

## THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2011 compared to 2010.

**Table 1**  
**Net Assets**

	Governmental Activities		
	2011	2010	Change
<b>Assets</b>			
Current and Other Assets	\$17,609,789	\$13,907,226	\$3,702,563
Capital Assets	37,721,630	36,556,199	1,165,431
Total Assets	55,331,419	50,463,425	4,867,994
<b>Liabilities</b>			
Long-Term Liabilities	4,783,037	3,184,960	1,598,077
Other Liabilities	4,785,506	4,852,872	(67,366)
Total Liabilities	9,568,543	8,037,832	1,530,711
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	34,423,938	34,056,199	367,739
Restricted	5,502,402	2,510,023	2,992,379
Unrestricted	5,836,536	5,859,371	(22,835)
Total Net Assets	\$45,762,876	\$42,425,593	\$3,337,283

Total assets of governmental activities increased \$4,867,994. Current asset increased \$3,702,563 primarily due to increases in cash and cash equivalents and intergovernmental receivables related to the unexpended proceeds of Qualified School Construction Bonds, the Ohio School Facilities Commission increasing the School District's project budget for extensive remediation to both the middle and high schools, and being awarded the Educations Jobs Grant. Capital assets increased \$1,165,431 also resulting from the remediation work being completed on the School District's facilities.

Long-term liabilities increased significantly due to the issuance of 2010 Qualified School Construction Bonds. The Qualified School Construction Bonds, issued in the amount of \$1,690,000, are being used for energy conservation improvements at each of the School District's instructional facilities.

The net effect of changes in assets and liabilities resulted in a \$3,337,283 increase in total net assets of the School District's governmental activities.

# Wellston City School District, Ohio

## Management's Discussion and Analysis

For the Fiscal Year June 30, 2011

Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2011, and comparisons to fiscal year 2010.

**Table 2**  
**Changes in Net Assets**

	Governmental Activities		
	2011	2010	Change
<b>Revenues</b>			
Program Revenues:			
Charges for Services	\$736,749	\$842,292	(\$105,543)
Operating Grants, Contributions and Interest	4,269,252	3,666,676	602,576
Capital Grants, Contributions and Interest	78,441	74,078	4,363
	<u>5,084,442</u>	<u>4,583,046</u>	<u>501,396</u>
General Revenues:			
Property Taxes	2,289,522	2,233,996	55,526
Grants and Entitlements	13,619,293	11,426,542	2,192,751
Investment Earnings	27,113	41,582	(14,469)
Insurance Recoveries	6,261	7,000	(739)
Donations	8,476	0	8,476
Miscellaneous	38,234	36,284	1,950
	<u>15,988,899</u>	<u>13,745,404</u>	<u>2,243,495</u>
Total Revenues	<u>21,073,341</u>	<u>18,328,450</u>	<u>2,744,891</u>
<b>Program Expenses</b>			
Instruction:			
Regular	6,366,423	6,987,411	620,988
Special	2,602,149	2,490,232	(111,917)
Vocational	93,277	93,526	249
Student Intervention Services	27,662	45,536	17,874
Support Services:			
Pupils	768,043	838,597	70,554
Instructional Staff	1,271,294	1,202,945	(68,349)
Board of Education	130,504	194,761	64,257
Administration	1,340,910	1,434,581	93,671
Fiscal	458,021	462,372	4,351
Operation and Maintenance of Plant	1,838,407	1,656,451	(181,956)
Pupil Transportation	1,169,187	989,399	(179,788)
Central	240,549	94,052	(146,497)
Operation of Non-Instructional Services:			
Food Service Operations	783,139	749,637	(33,502)
Community Services	224,106	154,307	(69,799)
Extracurricular Activities	323,373	328,987	5,614
Interest and Fiscal Charges	99,014	135,915	36,901
Total Expenses	<u>17,736,058</u>	<u>17,858,709</u>	<u>122,651</u>
Increase in Net Assets	3,337,283	469,741	2,867,542
Net Assets at Beginning of Year	<u>42,425,593</u>	<u>41,955,852</u>	<u>469,741</u>
Net Assets at End of Year	<u>\$45,762,876</u>	<u>\$42,425,593</u>	<u>\$3,337,283</u>

### **Governmental Activities**

Property taxes made up approximately 10.9 percent of revenues for governmental activities for the Wellston City School District. Of the remaining revenues, the School District receives 85.2 percent from state foundation, federal, and state grants; 3.5 percent from charges for services; and 0.4 percent from interest, insurance recoveries, and local entities.

## Wellston City School District, Ohio

### Management's Discussion and Analysis

For the Fiscal Year June 30, 2011

Unaudited

Total revenues increased \$2,744,891 from fiscal year 2010 to fiscal year 2011. This increase was due to increases in operating grants, contributions, and interest in the amount of \$602,576, the result of the School District being awarded the Education Jobs Grant and the continued funding from the American Recovery and Reinvestment Act. In addition, unrestricted grants and entitlements increased \$2,192,751 due to the Ohio School Facilities Commission's remediation program.

The DeRolph III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. Inflation alone will not increase the amount of funds generated by a tax levy. Basically, the mills collected decreases as the property value increases thus generating about the same revenue. Property taxes made up just 10.9 percent of revenues for governmental activities for the School District in 2011. Additionally, increases in property taxes would only have a nominal effect upon the School District's total revenue. This is due to the funding formula in place in Ohio, any increase in property tax revenue would be offset by a corresponding decrease in state funding the School District would receive.

Over 51.2 percent of the School District's budget is used to fund instructional expenses. Support services make up 40.7 percent of expenses and 8.1 percent is used for fiscal charges, extracurricular activities, and non-instructional services.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. In other words, it identifies the cost of those services supported by tax revenue and unrestricted State entitlements.

**Table 3  
Governmental Activities**

	2011 Total Cost of Services	2011 Net Cost of Services	2010 Total Cost of Services	2010 Net Cost of Services
<b>Program Expenses</b>				
Instruction:				
Regular	\$6,366,422	\$4,935,009	\$6,987,411	\$5,612,626
Special	2,602,149	1,577,823	2,490,232	1,443,198
Vocational	93,277	67,776	93,526	68,215
Student Intervention Services	27,662	7,643	45,536	24,681
Support Services:				
Pupils	768,043	633,899	838,597	578,985
Instructional Staff	1,271,294	100,411	1,202,945	645,313
Board of Education	130,504	113,345	194,761	173,578
Administration	1,340,910	1,293,682	1,434,581	1,378,241
Fiscal	458,021	409,012	462,372	400,095
Operation and Maintenance of Plant	1,838,407	1,735,358	1,656,451	1,551,728
Pupil Transportation	1,169,187	1,068,680	989,399	929,971
Central	240,549	234,100	94,052	89,052
Operation of Non-Instructional Services:				
Food Service Operations	783,139	22,266	749,637	(27,189)
Community Services	224,107	163,745	154,307	91,307
Extracurricular Activities	323,373	189,853	328,987	179,947
Interest and Fiscal Charges	99,014	99,014	135,915	135,915
<b>Totals</b>	<b>\$17,736,058</b>	<b>\$12,651,616</b>	<b>\$17,858,709</b>	<b>\$13,275,663</b>

# Wellston City School District, Ohio

## Management's Discussion and Analysis

For the Fiscal Year June 30, 2011

Unaudited

The dependence upon tax revenues and State subsidies for governmental activities is apparent. For fiscal year 2011, approximately 72.5 percent of instructional activities were supported through taxes and other general revenues.

### THE SCHOOL DISTRICT FUNDS

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$20,203,615 and expenditures of \$19,122,110.

#### General Fund Budgeting Highlights

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

During the course of fiscal 2011, the School District did amend its General Fund estimated revenues numerous times. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, the final budget basis revenue estimate was \$12,854,445, which represented an increase of \$744,256, or 6.1 percent from original estimates of \$12,110,189. This difference was due to incorrect assumptions regarding the School District's intergovernmental revenues. The final budget basis expenditure estimate of \$15,580,081 represented a \$315,599, or 2.0 percent increase from the original estimates of \$15,264,482.

The School District's ending unobligated general fund balance was \$6,951,196.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At the end of fiscal year 2011, the School District had \$37,721,630 invested in land, construction in progress, land improvements, buildings, furniture and equipment, vehicles, and textbooks. Table 4 shows fiscal year 2011 balances compared to 2010

**Table 4**  
**Capital Assets at June 30**  
**(Net of Depreciation)**

	Governmental Activities	
	2011	2010
Land	\$189,885	\$189,885
Construction in Progress	1,869,827	4,526,123
Land Improvements	96,798	107,213
Buildings and Improvements	33,483,380	29,473,887
Furniture, Fixtures, and Equipment	1,237,810	1,279,379
Vehicles	340,785	480,796
Textbooks	503,145	498,916
Totals	<u>\$37,721,630</u>	<u>\$36,556,199</u>

**Wellston City School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year June 30, 2011*

*Unaudited*

For additional information on capital assets, see Note 15 to the basic financial statements.

**Debt**

At June 30, 2011, the School District had outstanding a Classroom Facilities Assistance Bond for \$1,085,000, a Classroom Facilities Refunding Bond in the amount of \$1,318,607, and a Qualified School Construction Bonds in the amount of \$1,690,000.

**Table 5**  
**Outstanding Debt, at Fiscal Year End**

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
1999 Classroom Facilities Assistance Bonds:		
Serial	\$1,085,000	\$2,500,000
2010 Classroom Facilities Refunding Bonds:		
Serial	1,175,000	0
Capital Appreciation	70,000	0
Accretion on Capital Appreciation	3,790	0
Bond Amortization of Premium	104,742	0
Deferred Amount on Refunding	(34,925)	0
2010 Qualifid School Construction Bond	<u>1,690,000</u>	<u>0</u>
Totals	<u>\$4,093,607</u>	<u>\$2,500,000</u>

For additional information on debt, see Note 19 to the basic financial statements.

**CURRENT ISSUES**

The financial future of the School District is not without its challenges. These challenges are external and internal in nature. The internal challenges will continue to exist, as the School District must rely heavily on local property taxes. Due to slow economic growth, the School District does not foresee any sustainable growth in revenue from property taxes. Thus management must diligently plan expenses from the modest growth attained, staying carefully within its five-year forecast. Additional revenues from what was estimated must not be treated as a windfall to expand programs but as an opportunity to extend the time horizon of the five-year forecast.

Externally, the School District is largely dependent on State funding sources (approximately 85.3 percent of the School District's operating funds come from State foundation payments and other entitlements). State foundation revenue is fundamentally a function of student enrollment and a district's property tax wealth. Though School District did see a slight increase in student enrollment and State revenue growth has shifted toward school districts with low property tax wealth, future enrollment estimates continue to indicate a declining enrollment which will serve to offset any increase in State funding.

Although higher per-pupil funding has helped the School District lessen the impact of increased instructional expenses, much of the positive impact has been offset by other negative financial factors that occurred in the past year (decreasing enrollment and higher insurance costs). In the long run, the fact remains that as long as the State avoids the complete systematic overhaul the Supreme Court ordered in its initial ruling, all schools in Ohio will be faced with the same problem in the future – either increasing its revenue (passing levies) or decreasing expenses (making budget cuts).

## **Wellston City School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year June 30, 2011*

*Unaudited*

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As the preceding information shows, the School District continues to depend upon its taxpayers. Although the School District has kept spending in line with revenues, and carefully watched financial planning, it must keep its revenue to expense ratios improving if the School District hopes to remain on firm financial footing.

### **CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions or need additional information, contact Tami Downard, Treasurer at Wellston City School District, One East Broadway Street, Wellston, Ohio 45692.

Wellston City School District, Ohio

Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$12,196,795
Cash and Cash Equivalents in Segregated Accounts	31,216
Investments with Escrow Agents	722,308
Materials and Supplies Inventory	12,739
Accrued Interest Receivable	271
Intergovernmental Receivable	1,146,400
Property Taxes Receivable	3,424,008
Accounts Receivable	6,235
Deferred Charges	69,817
Nondepreciable Capital Assets	2,059,712
Depreciable Capital Assets, Net	<u>35,661,918</u>
<i>Total Assets</i>	<u>55,331,419</u>
<b>Liabilities</b>	
Accounts Payable	151,994
Accrued Wages and Benefits Payable	1,250,892
Contracts Payable	277,500
Retainage Payable	11,980
Intergovernmental Payable	426,081
Deferred Revenue	2,597,952
Accrued Interest Payable	17,172
Vacation Benefits Payable	51,935
Long-Term Liabilities:	
Due within One Year	325,613
Due in More than One Year	<u>4,457,424</u>
<i>Total Liabilities</i>	<u>9,568,543</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	34,423,938
Restricted for:	
Budget Stabilization	56,688
Bus Purchase	17,651
Nonexpendable Trust	10,000
Debt Service	1,118,087
Capital Projects	3,067,466
Other Purposes	1,232,510
Unrestricted	<u>5,836,536</u>
<i>Total Net Assets</i>	<u><u>\$45,762,876</u></u>

See accompanying notes to the basic financial statements

**Wellston City School District, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June, 30, 2011

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	
<b>Governmental Activities</b>					Governmental Activities
Instruction:					
Regular	\$6,366,422	\$384,342	\$1,047,071	\$0	(\$4,935,009)
Special	2,602,149	0	1,024,326	0	(1,577,823)
Vocational	93,277	0	25,501	0	(67,776)
Student Intervention Services	27,662	0	20,019	0	(7,643)
Support Services:					
Pupils	768,043	0	134,144	0	(633,899)
Instructional Staff	1,271,294	0	1,170,883	0	(100,411)
Board of Education	130,504	0	17,159	0	(113,345)
Administration	1,340,910	0	47,228	0	(1,293,682)
Fiscal	458,021	0	49,009	0	(409,012)
Operation and Maintenance of Plant	1,838,407	3,100	99,855	94	(1,735,358)
Pupil Transportation	1,169,187	0	22,160	78,347	(1,068,680)
Central	240,549	0	6,449	0	(234,100)
Operation of Non-Instructional Services:					
Food Service Operations	783,139	230,869	530,004	0	(22,266)
Community Services	224,107	0	60,362	0	(163,745)
Extracurricular Activities	323,373	118,438	15,082	0	(189,853)
Interest and Fiscal Charges	99,014	0	0	0	(99,014)
<b>Totals</b>	<b>\$17,736,058</b>	<b>\$736,749</b>	<b>\$4,269,252</b>	<b>\$78,441</b>	<b>(12,651,616)</b>

**General Revenues**

Property Taxes Levied for:	
General Purposes	2,047,182
Debt Service	202,660
Classroom Facilities Maintenance	39,680
Grants and Entitlements not Restricted to Specific Programs	10,201,646
Ohio School Facilities Commission	3,417,647
Investment Earnings	27,113
Insurance Recoveries	6,261
Donations	8,476
Miscellaneous	38,234
<b>Total General Revenues</b>	<b>15,988,899</b>
<b>Change in Net Assets</b>	<b>3,337,283</b>
<b>Net Assets at Beginning of Year</b>	<b>42,425,593</b>
<b>Net Assets at End of Year</b>	<b>\$45,762,876</b>

See accompanying notes to the basic financial statements



**Wellston City School District, Ohio**

*Balance Sheet  
Governmental Funds  
June 30, 2011*

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$7,019,280	\$3,129,352	\$1,973,824	\$12,122,456
Cash and Cash Equivalents in Segregated Accounts	0	31,216	0	31,216
Investments with Escrow Agents	0	0	722,308	722,308
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	74,339	0	0	74,339
Receivables:				
Property Taxes	3,042,270	0	381,738	3,424,008
Intergovernmental	27,449	195,829	923,122	1,146,400
Interfund	182,255	0	0	182,255
Accrued Interest	271	0	0	271
Accounts	5,999	0	236	6,235
Materials and Supplies Inventory	0	0	12,739	12,739
<b>Total Assets</b>	<b><u>\$10,351,863</u></b>	<b><u>\$3,356,397</u></b>	<b><u>\$4,013,967</u></b>	<b><u>\$17,722,227</u></b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$105,654	\$0	\$46,340	\$151,994
Accrued Wages and Benefits Payable	966,186	0	284,706	1,250,892
Contracts Payable	10,204	32,345	234,951	277,500
Retainage Payable	0	11,980	0	11,980
Interfund Payable	0	0	182,255	182,255
Intergovernmental Payable	314,484	0	111,597	426,081
Deferred Revenue	2,919,464	195,829	993,225	4,108,518
<b>Total Liabilities</b>	<b><u>4,315,992</u></b>	<b><u>240,154</u></b>	<b><u>1,853,074</u></b>	<b><u>6,409,220</u></b>
<b>Fund Balances</b>				
Nonspendable	0	0	22,739	22,739
Restricted	74,339	3,116,243	2,062,687	5,253,269
Committed	6,419	0	163,264	169,683
Assigned	138,134	0	0	138,134
Unassigned	5,816,979	0	(87,797)	5,729,182
<b>Total Fund Balances</b>	<b><u>6,035,871</u></b>	<b><u>3,116,243</u></b>	<b><u>2,160,893</u></b>	<b><u>11,313,007</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$10,351,863</u></b>	<b><u>\$3,356,397</u></b>	<b><u>\$4,013,967</u></b>	<b><u>\$17,722,227</u></b>

See accompanying notes to the basic financial statements

**Wellston City School District, Ohio**  
*Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2011*

<b>Total Governmental Fund Balances</b>		<b>\$11,313,007</b>
 <b><i>Amounts reported for governmental activities in the statement of net assets are different because</i></b>		
Capital Assets used in governmental activities are not financial resources are not reported in the funds.		37,721,630
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:		
Property Taxes	688,274	
Grants	<u>822,292</u>	1,510,566
Unamortized issuance costs represent deferred charges which do not provide current financial resources and,, therefore, are not reported in the funds.		69,817
Accrued interest payable is recognized for outstanding long-term liabilities with interest accruals that are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(17,172)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Classroom Facilities Bonds	(1,085,000)	
Classroom Facilities Refunding Bonds	(1,318,607)	
Qualified School Construction Bonds	(1,690,000)	
Sick Leave Benefits Payable	(689,430)	
Vacation Benefits Payable	<u>(51,935)</u>	<u>(4,834,972)</u>
Net Assets of Governmental Activities		<u><u>\$45,762,876</u></u>

See accompanying notes to the basic financial statements

**Wellston City School District, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2011*

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$1,964,375	\$0	\$232,242	\$2,196,617
Intergovernmental	10,356,959	3,242,491	3,535,182	17,134,632
Investment Earnings	27,113	94	1,802	29,009
Tuition and Fees	384,342	0	0	384,342
Charges for Services	0	0	232,257	232,257
Extracurricular	13,500	0	104,938	118,438
Rent	3,100	0	0	3,100
Donations	8,476	0	45,227	53,703
Miscellaneous	21,422	0	30,095	51,517
<i>Total Revenues</i>	<u>12,779,287</u>	<u>3,242,585</u>	<u>4,181,743</u>	<u>20,203,615</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	5,634,114	0	952,200	6,586,314
Special	1,479,162	0	963,601	2,442,763
Vocational	94,876	0	0	94,876
Student Intervention Services	0	0	27,662	27,662
Support Services:				
Pupils	601,707	0	142,783	744,490
Instructional Staff	546,165	0	621,543	1,167,708
Board of Education	127,104	0	3,400	130,504
Administration	1,181,561	0	44,690	1,226,251
Fiscal	433,516	0	9,968	443,484
Operation and Maintenance of Plant	1,447,745	7,000	421,393	1,876,138
Pupil Transportation	910,564	0	44,589	955,153
Central	260,066	0	7,480	267,546
Operation of Non-Instructional Services:				
Food Service Operations	0	0	783,479	783,479
Community Services	9,313	0	110,668	119,981
Extracurricular Activities	202,896	0	100,802	303,698
Capital Outlay	0	187,293	1,429,622	1,616,915
Debt Service:				
Principal Retirement	0	0	170,000	170,000
Interest and Fiscal Charges	0	0	88,984	88,984
Issuance Costs	0	0	76,164	76,164
<i>Total Expenditures</i>	<u>12,928,789</u>	<u>194,293</u>	<u>5,999,028</u>	<u>19,122,110</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(149,502)</u>	<u>3,048,292</u>	<u>(1,817,285)</u>	<u>1,081,505</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	8,400	0	0	8,400
Insurance Recoveries	6,261	7,000	0	13,261
General Obligation Bonds Issued	0	0	1,690,000	1,690,000
Refunding Bonds Issued	0	0	1,270,000	1,270,000
Premium on Refunding Bonds Issued	0	0	114,264	114,264
Payment to Refunding Bond Escrow Agent	0	0	(1,308,100)	(1,308,100)
<i>Total Other Financing Sources (Uses)</i>	<u>14,661</u>	<u>7,000</u>	<u>1,766,164</u>	<u>1,787,825</u>
<i>Net Change in Fund Balance</i>	<u>(134,841)</u>	<u>3,055,292</u>	<u>(51,121)</u>	<u>2,869,330</u>
<i>Fund Balances at Beginning of Year - Restated (See Note 3)</i>	<u>6,170,712</u>	<u>60,951</u>	<u>2,212,014</u>	<u>8,443,677</u>
<i>Fund Balances at End of Year</i>	<u>\$6,035,871</u>	<u>\$3,116,243</u>	<u>\$2,160,893</u>	<u>\$11,313,007</u>

See accompanying notes to the financial statements

**Wellston City School District, 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*

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**Net Change in Fund Balances - Total Governmental Funds** \$2,869,330

***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 useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:

Capital Asset Additions	2,369,108	
Depreciation Expense	<u>(1,101,368)</u>	1,267,740

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on disposal of assets: (102,309)

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

Grants	785,231	
Charges for Services	(1,388)	
Miscellaneous Revenue	(13,283)	
Insurance Recoveries	(7,000)	
Delinquent Taxes	<u>92,905</u>	856,465

Repayment of principal and the refunding of debt is an expenditure in the governmental funds, but the repayments reduces long-term liabilities in the statement of net assets: 1,478,100

Bond proceeds are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of activities. Governmental funds report the effect of premiums when the debt is first issued; however, the amounts are deferred and amortized on the statement of activities:

Premium on Bonds	(114,264)	
Classroom Facilities Refunding Bonds	(1,270,000)	
Qualified School Construction Bonds	<u>(1,690,000)</u>	(3,074,264)

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. Premiums and discounts are reported as revenues and expenditures when the debt is first issued; however, these amounts are deferred and amortized on the statements of activities:

Accrued Interest Payable	(6,240)	
Amortization of Premium	9,522	
Amortization of Deferred Amount on Refunding	(3,175)	
Annual Accretion	(3,790)	
Amortization of Issuance Costs	<u>(6,347)</u>	(10,030)

Issuance costs are reported as an expenditure when paid in the governmental funds, but are deferred and amortized on the statement of activities. This is the issuance costs on the bonds. 76,164

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

Sick Leave Benefits Payable	(4,470)	
Vacation Benefits Payable	<u>(19,443)</u>	(23,913)

***Change in Net Assets of Governmental Activities*** \$3,337,283

See accompanying notes to the basic financial statements

**Wellston City School District, Ohio**  
*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2011*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$2,841,648	\$2,010,820	\$2,003,395	(\$7,425)
Intergovernmental	8,858,232	10,363,589	10,357,454	(6,135)
Investment Earnings	32,747	38,312	27,459	(10,853)
Tuition and Fees	335,418	392,419	384,332	(8,087)
Extracurricular	11,350	13,279	13,264	(15)
Rent	7,291	8,530	3,100	(5,430)
Donations	7,612	8,905	8,476	(429)
Miscellaneous	15,891	18,591	22,419	3,828
<i>Total Revenues</i>	<u>12,110,189</u>	<u>12,854,445</u>	<u>12,819,899</u>	<u>(34,546)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	6,121,941	6,248,516	5,692,326	556,190
Special	1,596,007	1,629,005	1,483,737	145,268
Vocational	131,350	134,066	101,137	32,929
Support Services:				
Pupils	818,157	835,073	607,311	227,762
Instructional Staff	639,718	652,944	534,359	118,585
Board of Education	234,091	238,931	143,143	95,788
Administration	1,603,900	1,637,061	1,190,452	446,609
Fiscal	519,128	529,861	441,815	88,046
Operation and Maintenance of Plant	1,871,169	1,909,856	1,527,671	382,185
Pupil Transportation	1,049,821	1,071,526	922,047	149,479
Central	434,486	443,469	295,536	147,933
Operation of Non-Instructional Activities:				
Food Service Operations	9,296	9,488	9,313	175
Extracurricular Activities	235,418	240,285	205,031	35,254
<i>Total Expenditures</i>	<u>15,264,482</u>	<u>15,580,081</u>	<u>13,153,878</u>	<u>2,426,203</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(3,154,293)</u>	<u>(2,725,636)</u>	<u>(333,979)</u>	<u>2,391,657</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	11,069	12,950	8,400	(4,550)
Insurance Recoveries	8,547	10,000	2,790	(7,210)
Refund of Prior Year Expenditures	50,901	59,551	0	(59,551)
Advances In	46,389	54,272	52,313	(1,959)
Advances Out	(244,935)	(250,000)	(68,523)	181,477
<i>Total Other Financing Sources (Uses)</i>	<u>(128,029)</u>	<u>(113,227)</u>	<u>(5,020)</u>	<u>108,207</u>
<i>Net Change in Fund Balance</i>	(3,282,322)	(2,838,863)	(338,999)	2,499,864
<i>Fund Balance at Beginning of Year</i>	7,210,445	7,210,445	7,210,445	0
Prior Year Encumbrances Appropriated	79,750	79,750	79,750	0
<i>Fund Balance at End of Year</i>	<u>\$4,007,873</u>	<u>\$4,451,332</u>	<u>\$6,951,196</u>	<u>\$2,499,864</u>

See accompanying notes to the basic financial statements

**Wellston City School District, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Fund*  
*June 30, 2011*

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**Assets**

Equity in Pooled Cash and Cash Equivalents	<u><u>\$56,813</u></u>
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**Liabilities**

Due to Students	<u><u>\$56,813</u></u>
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See accompanying notes to the basic financial statements

## Wellston City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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### Note 1 - Description of the School District and Reporting Entity

Wellston City School District (School 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.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State statute and federal agencies. This Board of Education controls the School District's four instructional/support facilities staffed by 82 classified employees, 119 certified teaching personnel, and 7 administrators, who provide services to 1,602 students and other community members.

#### **Reporting Entity**

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

The following activity is included within the reporting entity:

**Parochial Schools** The Saints Peter and Paul Catholic School operates within the School District boundaries. Current State legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. The activity is reflected in a special revenue fund for financial reporting purposes.

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

The School District participates in the Southeastern Ohio Voluntary Education Cooperative, the Gallia-Jackson-Vinton Joint Vocational School District, and the Coalition of Rural and Appalachian Schools which are defined as jointly governed organizations. The School District also participates in the Schools of Ohio Risk Sharing Authority (SORSA) and Ohio School Boards Association Workers' Compensation Group Rating Plan which are defined as insurance purchasing pools. These organizations are presented in Notes 10 and 11.

### Note 2 - Summary of Significant Accounting Policies

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

## Wellston City School District, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

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### **A. Basis of Presentation**

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

**Government-wide Financial Statements** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary fund. The statements usually distinguish between those activities that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however, has no business-type activities.

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

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

### **B. Fund Accounting**

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

**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 School District's major governmental funds:

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

**Classroom Facilities Capital Projects Fund** The Classroom Facilities Capital Projects Fund accounts for grant and debt proceeds used for the renovation and reconstruction of the School District's school facilities.



## Wellston City School District, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

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

***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 School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equals liabilities) and does not involve the measurement of results of operations. The School District's only fiduciary fund is an agency fund, which accounts for student activities.

### ***C. Measurement Focus***

***Government-wide Financial Statements*** The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities accounts for increases (revenues) and decreases (expenses) in total net assets.

***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (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 fund financial statements for governmental funds.

### ***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. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

***Revenues – Exchange and Non-Exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On 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 School District, available means expected to be received within sixty days of fiscal year end.

## Wellston City School District, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

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Non-exchange transactions, in which the School 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 8). 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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

**Deferred Revenue** Deferred revenue arises 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, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue.

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

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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.

### **E. Cash and Cash Equivalents**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

The School District has segregated bank accounts for monies retained by the School District which are being used during construction to insure satisfactory completion of the school facilities project. These accounts are presented on the balance sheet as "cash and cash equivalents in segregated accounts" since they are kept separate from the School District treasury.

During fiscal year 2011, investments were limited to non-negotiable certificates of deposit, which are reported at cost, money market mutual funds, which are reported at current share value, and to the State Treasury Asset Reserve of Ohio (STAROhio).

## Wellston City School District, Ohio

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

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STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for at June 30, 2011.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue is credited to the General Fund; the Education Foundation and Classroom Maintenance Special Revenue Funds; the Bond Retirement Debt Service Fund; the Classroom Facilities Capital Projects Fund; and the Harless Scholarship Permanent Fund. Interest revenue credited to the General Fund during fiscal year 2011 amounted to \$27,113, which includes \$12,505 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented as cash and cash equivalents.

#### ***F. Restricted Assets***

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets include unexpended revenues restricted for the purchase of buses and amounts required by State statute to be set-aside by the School District for the creation of a reserve for budget stabilization. See Note 20 for additional information regarding set-asides.

#### ***G. Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of expendable supplies held for consumption and donated and purchased commodities held for resale.

#### ***H. Capital Assets***

All of the School District's capital assets are general capital assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The School District was able to estimate the historical cost for the initial reporting of certain assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful life of the related capital asset.

**Wellston City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	50 years
Furniture, Fixtures, and Equipment	5-20 years
Vehicles	10 years
Textbooks	20 years

***I. Internal Activity***

Transfers within governmental activities are eliminated on the government-wide statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used aren't eliminated.

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 financial statements.

***J. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is recorded as "vacation benefits payable", rather than long-term liabilities as the balances for most employees are to be used by employees in the fiscal year following the fiscal year in which the benefit was earned.

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 School 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 School District's termination policy. The School District records a liability for accumulated unused sick leave for employees after fifteen years of service.

***K. Accrued Liabilities and Long-term Obligations***

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and 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 fiscal year. Bonds are recognized as a liability on the governmental fund financial statements when due.

## Wellston City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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### **L. Fund Balance**

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

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

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

**Committed:** The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Education. Those committed amounts cannot be used for any other purpose unless the 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 the use in satisfying those contractual requirements.

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

**Unassigned:** The unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report deficit balances.

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

### **M. Interfund Balances**

Interfund receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

## **Wellston City School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

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### ***N. Estimates***

The preparation of the 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.

### ***O. Net Assets***

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

Net assets restricted for other purposes include resources restricted for food service operations and federal and state grants restricted for specific purposes.

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

### ***P. Budgetary Process***

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, 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 amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Allocations of appropriations to the function and object levels are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal 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 in the amended certificate in effect when final appropriations for the fiscal year were passed.

The appropriation resolution is subject to amendment throughout the fiscal year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over 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.

### ***Q. Unamortized Issuance Costs***

On the government-wide financial statements, issuance costs and bond premiums are deferred and amortized over the term of the debt using the straight-line method. Issuance costs are reported as deferred charges. Bond premiums are presented as an addition to the face amount of the bonds.

**Wellston City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the period in which the debt is issued.

**Note 3 - Change in Accounting Principles and Restatement of Fund Balance**

For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement 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. The implementation of this statement resulted in the reclassification of certain funds and restatement of the School District's financial statements.

The implementation of GASB Statement No. 54 had the following effect on fund balances of the major and nonmajor funds as they were previously reported.

	General Fund	Classroom Facilities Fund	Other Governmental Funds	Total
Fund Balance at June 30, 2010	\$6,131,719	\$60,951	\$2,251,007	\$8,443,677
Change in Fund Structure	38,993	0	(38,993)	0
Adjusted Fund Balance at June 30, 2010	<u>\$6,170,712</u>	<u>\$60,951</u>	<u>\$2,212,014</u>	<u>\$8,443,677</u>

**Note 4 - Fund Deficits**

The following funds had deficit fund balances as of June 30, 2011:

	Deficit
<b>Special Revenue Funds:</b>	
Public Preschool	\$1,526
Race to the Top	9,105
Title VI-B Idea	54,495
Title I	6,479
Miscellaneous Federal Grants	7,510

These deficits resulted from the recognition of payables in accordance with Generally Accepted Accounting Principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**Note 5 - Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

**Wellston City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	Classroom Facilities Fund	Other Governmental Funds	Total
<b>Nonspendable:</b>				
Scholarships	\$0	\$0	\$10,000	\$10,000
Materials and Supplies Inventory	0	0	12,739	12,739
<i>Total Nonspendable</i>	<u>0</u>	<u>0</u>	<u>22,739</u>	<u>22,739</u>
<b>Restricted for:</b>				
Local Grant Expenditures	0	0	42,396	42,396
State Grant Expenditures	0	0	44,035	44,035
Federal Grant Expenditures	0	0	10,048	10,048
Athletics	0	0	33,157	33,157
Debt Service Payments	0	0	1,075,409	1,075,409
Capital Improvements	0	3,116,243	857,642	3,973,885
Budget Stabilization	56,688	0	0	56,688
Bus Purchases	17,651	0	0	17,651
<i>Total Restricted</i>	<u>74,339</u>	<u>3,116,243</u>	<u>2,062,687</u>	<u>5,253,269</u>
<b>Committed to:</b>				
Scholarships	0	0	163,264	163,264
After School Programs	6,419	0	0	6,419
<i>Total Committed</i>	<u>6,419</u>	<u>0</u>	<u>163,264</u>	<u>169,683</u>
<b>Assigned to:</b>				
Other Purposes	138,134	0	0	138,134
<i>Total Assigned</i>	<u>138,134</u>	<u>0</u>	<u>0</u>	<u>138,134</u>
<b>Unassigned:</b>				
	5,816,979	0	(87,797)	5,729,182
<i>Total Fund Balances</i>	<u>\$6,035,871</u>	<u>\$3,116,243</u>	<u>\$2,160,893</u>	<u>\$11,313,007</u>

**Note 6 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budget 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 GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).



## Wellston City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

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

### Net Change in Fund Balance

GAAP Basis	(\$134,841)
Revenue Accruals	37,141
Expenditure Accruals	(82,666)
Advances	(16,210)
Encumbrances	<u>(142,423)</u>
Budget Basis	<u><u>(\$338,999)</u></u>

### Note 7 - Deposits and Investments

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

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

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

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

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

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

## Wellston City School District, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

**Deposits** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$1,890,473 of the School District's bank balance of \$2,510,026 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

**Investments** As of June 30, 2011, the School District had the following investments: STAROhio which is part of the internal investment pool, and a money market mutual fund that is held by an escrow agent for the current energy conservation project.

	Fair Value	Maturity	Percent of Total Investments	Rating	Rating Agency
Money Market Mutual Funds	\$722,308	1 Day	6.82%	AAAm	S&P
STAROhio	<u>9,866,451</u>	58.3 Days	<u>93.18%</u>	AAAm	S&P
Totals	<u><u>\$10,588,759</u></u>		<u><u>100.00%</u></u>		

**Interest Rate Risk** The School District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years, and allows for the withdrawal of funds from approved public depositories or sale of negotiable instruments prior to maturity. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

**Credit Risk** The credit ratings for the School District's securities are listed above. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The School District has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

## Wellston City School District, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

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**Custodial Credit Risk** For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the School 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 School District has no investment policy dealing with investment custodial credit 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 School District places no limit on the amount it may invest in any one issuer. The percentage of total investments is listed in the table above.

### **Note 8 - Property Taxes**

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

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

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

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

The School District receives property taxes from Jackson County. The County Auditor periodically advances to the School 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 to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real, personal property, and public utility 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 were levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

**Wellston City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

The amount available as an advance at June 30, 2011, was \$122,806 in the General Fund, \$11,981 in the Bond Retirement Debt Service Fund, and \$2,995 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2010, was \$161,826 in the General Fund, \$15,788 in the Bond Retirement Debt Service Fund, and \$3,947 in the Classroom Facilities Maintenance Special Revenue Fund.

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

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

	2010 Second- Half Collections		2011 First- Half Collections	
Real Property	\$101,123,530	92.26%	\$100,988,610	91.53%
Public Utility Property	8,213,940	7.49%	9,223,040	8.36%
Tangible Personal Property	273,790	0.25%	125,260	0.11%
Total	<u>\$109,611,260</u>	<u>100.00%</u>	<u>\$110,336,910</u>	<u>100.00%</u>
 Tax Rate per \$1,000 of Assessed Valuation	 \$25.00		 \$25.00	

**Note 9 - Receivables**

Receivables at June 30, 2011, consisted of property taxes, interfund, accrued interest, accounts, and intergovernmental grants. 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 fiscal year guarantee of federal funds. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amounts
Ohio School Facilities Commission	\$195,829
Public Preschool	16,168
Educations Jobs	537,362
Race to the Top	30,512
Title VI-B	67,501
Parent Mentor	9,339
Title II-D	717
Title I	220,944
Handicapped Preschool	2,534
Title II-A	27,664
Title VI-B Rural	10,381
Miscellaneous	27,449
Total	<u>\$1,146,400</u>

## **Wellston City School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

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### **Note 10 - Jointly Governed Organizations**

#### ***A. Gallia-Jackson-Vinton Joint Vocational School District***

The Gallia-Jackson-Vinton Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the various City and County Boards within Gallia, Jackson, and Vinton Counties. The Board possesses its own budgeting and taxing authority. During fiscal year 2011, the School District paid \$45,299 to the Gallia-Jackson-Vinton Joint Vocational School District. To obtain financial information write to the Gallia-Jackson-Vinton Joint Vocational School District, Donalyn Smith who serves as Treasurer, P.O. Box 157, Rio Grande, Ohio, 45674.

#### ***B. Southeastern Ohio Voluntary Education Cooperative***

SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 28 participants consisting of school districts in eight southeastern Ohio counties. SEOVEC is governed by a governing board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. During fiscal year 2011, the School District paid \$33,369 to SEOVEC. To obtain financial information write to the Southeastern Ohio Voluntary Education Cooperative, at 221 North Columbus Road, Athens, Ohio 45701.

#### ***C. Coalition of Rural and Appalachian Schools***

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of 136 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Council provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. During fiscal year 2011, the School District paid \$365 to the Coalition. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

### **Note 11 - Insurance Purchasing Pool**

#### ***A. Ohio School Boards Association Workers' Compensation Group Rating Plan***

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (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 Plan. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the Plan.

## Wellston City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

### B. Schools of Ohio Risk Sharing Authority, Inc.

The School District participates in the Schools of Ohio Risk Sharing Authority, Inc. (SORSA), an insurance purchasing pool. SORSA was formed as an Ohio non-profit corporation for the purpose of administering a joint self-insurance pool and assisting members to prevent and reduce losses and injuries to School District property and persons which might result in claims being made against members of SORSA. Member school districts agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by SORSA. These coverages include, comprehensive general liability, automobile liability, certain property insurance and educator's errors and omissions liability insurance.

Each member school district has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine directors. Only superintendents, treasurers, or business managers of member school districts are eligible to serve on the board. No school district may have more than one member on the board at any one time. Each member school district's control is limited to its voting authority and any representative it may have on the board of directors. Financial information can be obtained from SORSA at 8050 North High Street, Suite 160, Columbus, Ohio 43235.

### Note 12 - Interfund Balances

Interfund balances at June 30, 2011, arise from the provision of cash flow resources from the General Fund until the receipt of grant monies or other program revenues by the Special Revenue Funds, or the receipts of property tax revenue in the Bond Retirement Debt Service Fund.

	Interfund Receivables	Interfund Payables
<b>General Fund</b>	<u>\$182,255</u>	<u>\$0</u>
<b>Other Governmental Funds:</b>		
Bond Retirement	0	6,395
Food Service	0	53,500
Athletics	0	17,397
Race to the Top	0	14,260
Title VI-B Idea	0	51,385
Stabilization	0	2
Title I	0	32,247
Title II-A	0	940
Miscellaneous Federal Grants	<u>0</u>	<u>6,129</u>
Total Other Governmental Funds	<u>0</u>	<u>182,255</u>
Total All Funds	<u>\$182,255</u>	<u>\$182,255</u>

### Note 13 - Contingencies

#### A. Grants

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

## Wellston City School District, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

### **B. Litigation**

The School District is a party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

### **Note 14 - Risk Management**

#### **A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2011, the School District participated with other school districts in Ohio in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool (Note 11). Each individual school district enters into an agreement with the SORSA and its premium is based on types of coverage, limits of coverage, and deductibles it selects. The School District pays its annual premiums to SORSA. The types and amounts of coverage provided are as follows:

Property	Deductible	Limits of Coverage
Building and Contents - Replacement Cost	\$250	\$53,080,303
General Liability:		
Each Occurrence	0	2,000,000
Aggregate Limit	0	4,000,000
Products - Completed Operations Aggregate Limit	0	2,000,000
Personal and Advertising Injury Limit - Each Offense	0	2,000,000
Employers' Liability:		
Each Occurrence	0	2,000,000
Disease - Each Employee	0	2,000,000
Disease - Policy Limit	0	2,000,000
Employee Benefits Liability:		
Each Occurrence	0	4,000,000
Aggregate Limit	0	6,000,000
Hazardous Substances	250	250,000
CFC Refrigeration	250	250,000
Spoilage	250	250,000
Vehicles:		
Bodily Injury:		
Per Person	0	2,000,000
Per Accident	0	2,000,000
Property Damage	0	2,000,000
Uninsured Motorist:		
Per Person	0	100,000
Per Accident	0	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been so significant reduction in insurance coverage from fiscal year 2010.

## Wellston City School District, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

### **B. Workers' Compensation**

For fiscal year 2011, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 11). The intent of the GRP is to achieve the benefit of a reduced premium for the School 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 Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

### **Note 15 - Capital Assets**

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

	Balance at 6/30/10	Additions	Deductions	Balance at 6/30/11
Capital Assets:				
Capital Assets not being Depreciated:				
Land	\$189,885	\$0	\$0	\$189,885
Construction in Progress	4,526,123	2,018,810	(4,675,106)	1,869,827
Total Non-Depreciable Capital Assets	<u>4,716,008</u>	<u>2,018,810</u>	<u>(4,675,106)</u>	<u>2,059,712</u>
Depreciable Capital Assets:				
Land Improvements	211,050	0	0	211,050
Buildings and Improvements	35,172,973	4,675,106	(67,798)	39,780,281
Furniture, Fixtures, and Equipment	3,342,484	225,766	(162,656)	3,405,594
Vehicles	1,516,618	0	(134,953)	1,381,665
Textbooks	1,073,292	124,532	0	1,197,824
Total Depreciable Capital Assets	<u>41,316,417</u>	<u>5,025,404</u>	<u>(365,407)</u>	<u>45,976,414</u>
Less Accumulated Depreciation:				
Land Improvements	(103,837)	(10,415)	0	(114,252)
Buildings and Improvements	(5,699,086)	(642,404)	44,589	(6,296,901)
Furniture, Fixtures, and Equipment	(2,063,105)	(240,483)	135,804	(2,167,784)
Vehicles	(1,035,822)	(87,763)	82,705	(1,040,880)
Textbooks	(574,376)	(120,303)	0	(694,679)
Total Accumulated Depreciation	<u>(9,476,226)</u>	<u>(1,101,368) *</u>	<u>263,098</u>	<u>(10,314,496)</u>
Total Capital Assets being Depreciated, Net	<u>31,840,191</u>	<u>3,924,036</u>	<u>(102,309)</u>	<u>35,661,918</u>
Capital Assets, Net	<u><u>\$36,556,199</u></u>	<u><u>\$5,942,846</u></u>	<u><u>(\$4,777,415)</u></u>	<u><u>\$37,721,630</u></u>



**Wellston City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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\*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$315,385
Special	150,017
Vocational	3,861
Support Services:	
Pupils	53,866
Instructional Staff	134,610
Administration	84,790
Fiscal	11,582
Operation and Maintenance of Plant	53,703
Pupil Transportation	166,445
Central	7,721
Food Service Operations	99,713
Extracurricular Activities	19,675
	<hr/>
Total Depreciation Expense	<u>\$1,101,368</u>

**Note 16 - Defined Benefit Pension Plans**

**A. School Employees Retirement System**

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2011, 11.81 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009, were \$175,688, \$307,527, and \$162,346, respectively; 24.69 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**B. State Teachers Retirement System**

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

## Wellston City School District, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

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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 monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy – For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2011, 2010, and 2009, were \$816,891, \$892,133, and \$895,391, respectively; 83.36 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 \$33,206 made by the School District and \$23,719 made by the plan members.

### **C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Retirement System. As of June 30, 2011, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

## Wellston City School District, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

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### **Note 17 - Postemployment Benefits**

#### **A. School Employees Retirement System**

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$35,800.

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

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009, were \$62,312, \$34,831, and \$100,971, respectively; 15.44 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009, were \$12,139, \$16,258, and \$14,271, respectively; 29.86 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

#### **B. State Teachers Retirement System**

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

## Wellston City School District, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

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Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board the authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009, were \$62,838, \$68,626, and \$68,876, respectively; 83.36 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

### **Note 18 - Employee Benefits**

#### **A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn five to twenty-five days of vacation per fiscal year, depending upon length of service. At fiscal year end, up to ten vacation days can be carried over for not more than one fiscal year. 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. There is no limit to sick leave accrual. Upon retirement, payment is made to certificated employees at 35 percent up to a maximum of 59.5 days, and at 30 percent for classified employees up to a maximum of 60 days.

#### **B. Insurance Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to classified and administrative employees in the amount of \$40,000.

Health insurance is provided through United Healthcare. Monthly premiums for this coverage are \$1,885.22 for family coverage and \$628.39 for single coverage. Dental insurance is provided by CoreSource and vision insurance is provided by Guardian Insurance. Monthly premiums for this coverage are \$63.51 for family coverage and \$25.48 for single coverage. The School District pays 98% of both family and single coverage premiums.

**Wellston City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

**Note 19 - Long-Term Obligations**

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

	Principal Outstanding			Principal Outstanding	Amounts Due Within
	6/30/10	Additions	Deductions	6/30/11	One Year
<b>Governmental Activities:</b>					
1999 3.30% - 5.85% School Construction General Obligation Bonds	\$2,500,000	\$0	\$1,415,000	\$1,085,000	\$150,000
2010 1.00% - 3.15% Classroom Facilities Refunding Bonds:					
Serial Bonds	0	1,200,000	25,000	1,175,000	20,000
Capital Appreciation Bonds	0	70,000	0	70,000	0
Accretion of Capital Appreciation Bonds	0	3,790	0	3,790	0
Serial Bond Premium	0	114,264	9,522	104,742	0
Deferred Amount on Refunding	0	(38,100)	(3,175)	(34,925)	0
2010 6.50% Qualified School Construction Bonds	0	1,690,000	0	1,690,000	110,000
Sick Leave Benefits	684,960	114,219	109,749	689,430	45,613
<b>Total Governmental Activities Long-Term Liabilities</b>	<b>\$3,184,960</b>	<b>\$3,154,173</b>	<b>\$1,556,096</b>	<b>\$4,783,037</b>	<b>\$325,613</b>

**School Construction General Obligation Bonds** The School District issued general obligation bonds for \$3,656,000 as a result of the School District being approved for a \$31,072,412 school facilities loan through the Ohio School Facilities Commission for additions to the elementary school, and the construction of a new middle school and high school. The School District issued the bonds on June 9, 1999, to provide the required local match for the school facilities loan. During fiscal year 2011, the School District refunded \$1,270,000 of the general obligation bonds. The remaining outstanding bonds are being retired from the Debt Service Fund. As a requirement of the loan, the School District was required to pass a 5.8 mill levy. 5.3 mills will be used to repay the debt issue which provided the matching funds required of the School District. The remaining .5 mills is used for facilities maintenance.

Principal and interest requirements to retire the General Obligation Bonds outstanding at June 30, 2011, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$150,000	\$58,747	\$208,747
2013	165,000	49,650	214,650
2014	175,000	39,791	214,791
2015	185,000	29,350	214,350
2016	200,000	18,135	218,135
2017	210,000	6,142	216,142
	<b>\$1,085,000</b>	<b>\$201,815</b>	<b>\$1,286,815</b>

**Wellston City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

**Classroom Facilities Refunding Bonds** The School District had previously issued 1999 School Construction General Obligation Bonds that were partially refunded through the 2010 Classroom Facilities Refunding Bonds. On September 13, 2010, the School District issued \$1,270,000 of Classroom Facilities Refunding Bonds to partially retire the 1999 School Construction General Obligation Bonds. The bonds were issued for an 11 year period with final maturity at December 1, 2021. The bond issue included serial and capital appreciation bonds in the amounts of \$1,200,000 and \$70,000, respectively. These refunding bonds were issued with a premium of \$114,264 which is reported as an increase to bonds payable. The amount is amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2011 was \$9,522. The issuance costs of \$76,164 are reported as deferred charges and are amortized over the life of the bond using the straight-line method. The amortization of the issuance costs for fiscal year 2011 was \$6,347. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$38,100. This difference, reported as a decrease in bonds payable is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the difference for fiscal year 2011 was \$3,175.

The capital appreciation bonds for the 2010 issue mature on December 1, 2017. The bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a principal liability. The maturity amount of the bond is \$245,000. Accretion for fiscal year 2011 was \$3,790.

Principal and interest requirements to retire the Classroom Facilities Refunding Bonds outstanding at June 30, 2011, are as follows:

Fiscal Year Ending June 30,	Serial		Capital Appreciation		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2012	\$20,000	\$33,055	\$0	\$0	\$20,000	\$33,055
2013	20,000	32,805	0	0	20,000	32,805
2014	20,000	32,455	0	0	20,000	32,455
2015	20,000	32,055	0	0	20,000	32,055
2016	20,000	31,655	0	0	20,000	31,655
2017-2021	795,000	92,488	70,000	206,005	865,000	298,493
2022	280,000	4,410	0	0	280,000	4,410
	<u>\$1,175,000</u>	<u>\$258,923</u>	<u>\$70,000</u>	<u>\$206,005</u>	<u>\$1,245,000</u>	<u>\$464,928</u>

The capital appreciation bonds, issued at \$70,000, are not subject to prior redemption.

**Qualified School Construction Bonds (QSCB)** On October 19, 2010, the School District issued \$1,690,000 of Qualified School Construction Bonds (QSCB), in accordance with the American Recovery and Reinvestment Act of 2009 (ARRA). These bonds were issued for the purpose of improving and reducing energy consumption in each of the School District's instructional facilities. The QSCB was issued through a series of lease agreements and trust indentures in accordance with Section 3313.375 of the Ohio Revised Code. In accordance with the lease terms, the project assets are leased to the All Points Capital Corporation, and then subleased back to the School District. The QSCB was issued through a series on annual leases with an initial lease term of fifteen years which includes the right to renew for fifteen successive one-year leases through December 1, 2024, subject to annual appropriations. To satisfy trustee requirements, the School District is required to make annual base rent payments, subject to lease terms and appropriations, annually.

## Wellston City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

Annual base rent requirements to retire the Qualified School Construction Bonds outstanding at June 30, 2011, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$110,000	\$106,275	\$216,275
2013	110,000	99,125	209,125
2014	110,000	91,975	201,975
2015	115,000	84,662	199,662
2016	115,000	77,188	192,188
2017-2021	610,000	269,100	879,100
2022-2025	520,000	68,575	588,575
	<u>\$1,690,000</u>	<u>\$796,900</u>	<u>\$2,486,900</u>

The bonds are subject to extraordinary mandatory redemption, in whole or in part, on December 1, 2011, or, in the event of an extension negotiated with the IRS, on a credit allowance date that occurs on or before September 27, 2013, in authorized denominations, at a redemption price equal to the principal amount of the bonds called for redemption plus accrued interest thereon to the redemption date, in an amount equal to the unexpended proceeds of the sale of the bonds held by the School District, but only to the extent that the School District fails to expend all of the proceeds of the bonds within three years of issuance thereof and no extension of the period for expenditure has been granted by the IRS.

Upon a determination of Loss of Qualifies School Construction Bond status, the Tax Credit bonds are subject to extraordinary mandatory redemption prior to their fixed maturity date, in whole, on the date designated by the School District, which date shall be a date prior to the January 15 following the next succeeding August 1, after a Determination of Loss of Qualified School Construction Bond status, at a redemption price equal to (i) the principal amount of the Tax Credit Bonds called for redemption, plus (ii) the redemption premium, plus (iii) accrued interest on the principal amount of the Tax Credit Bonds called for redemption plus the interest owed from the supplemental coupon from the Tax Credit Allowance Date immediately preceding the redemption date, to the date of redemption.

As part of the ARRA Act of 2009, issuers of QSCBs are eligible to receive direct payments from the federal government which offset interest payments on the bonds. As an alternate, QSCBs may be issued as tax credit bonds under which bond holders receive federal tax credits in lieu of interest as a means to significantly reduce the issuer's interest cost. The School District, under agreement with the federal government, has chosen to receive a thirty-five percent semi-annual direct payment from the federal government to help offset interest expense on the QSCBs.

As part of the Qualified School Construction Bonds issuance, the School District, pursuant to Section 3317.18, Ohio Revised Code, and Section 3301-8-01, Ohio Administrative Code, participated in the Ohio Credit Enhancement Program, and was assigned a rating of AA/Negative from Standard & Poor's for the bond issuance. In the event the School District is unable to make sufficient debt service payments and the payment will not be made by a credit enhancement facility, the Ohio Department of Education will make the sufficient payment.

Compensated absences will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund; the Food Service, Public Preschool, Title VI-B Idea, Title I, Handicapped Preschool, and the Title II-A Special Revenue Funds.

## Wellston City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

The School District's overall legal debt margin was \$6,916,982, with an unvoted debt margin of \$110,391 at June 30, 2011.

### Note 20 - Set-Aside Calculations

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

The following cash basis information describes the changes in the fiscal year end set-aside amounts for textbooks, capital acquisitions, and budget stabilization. Disclosure of this information is required by the State statute.

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-Aside Reserve Balance as of as of June 30, 2010	(\$171,185)	\$0	\$56,688
Current Year Set-Aside Requirement	218,620	218,620	0
Current Year Offsets	0	(118,874)	0
Qualifying Expenditures	<u>(195,998)</u>	<u>(2,018,810)</u>	<u>0</u>
Totals	<u>(\$148,563)</u>	<u>(\$1,919,064)</u>	<u>\$56,688</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>(\$148,563)</u>	<u>\$0</u>	<u>\$56,688</u>
Set-Aside Reserve Balance as of June 30, 2011	<u>\$0</u>	<u>\$0</u>	<u>\$56,688</u>

The School District had qualifying expenditures, offsets, and carry-forwards during the fiscal year that reduced the textbook and capital improvements set-aside amounts below zero. The extra amount in the textbooks set-asides may be used to reduce the set-aside requirements for future years.



**Wellston City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

**Note 21 - Contractual Commitments**

As of June 30, 2011, the School District's contractual purchase commitments for the Middle School and High School Pavement Reconstruction, Energy Conservation Improvement Project, and a new Bus Garage are as follows:

<u>Project</u>	<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 06/30/11</u>
Pavement Reconstruction	Shelly & Sands	\$1,738,022	\$0	\$1,738,022
	Kleingers & Associated	185,291	104,731	80,560
	Key Blue Prints	2,881	1,013	1,868
Total Pavement Reconstruction Project		<u>1,926,194</u>	<u>105,744</u>	<u>1,820,450</u>
Energy Conservation	Total Facility Solutions	<u>1,953,900</u>	<u>1,533,084</u>	<u>420,816</u>
Bus Garage	AJ Stockmeister, Inc.	57,733	57,733	0
	Stochmeister Enterprises	140,011	128,031	11,980
	Portland Electric	15,546	15,546	
	Panich, Noel, & Associates	26,000	17,639	8,361
	Miscellaneous	12,050	12,050	0
Total Bus Garage		<u>251,340</u>	<u>230,999</u>	<u>20,341</u>
Total Contractual Commitments		<u>\$4,131,434</u>	<u>\$1,869,827</u>	<u>\$2,261,607</u>

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**WELLSTON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title</b>	<b>Grant Year</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Disbursements</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2010/2011	10.555	\$ 36,675	\$ 36,675
Cash Assistance:				
School Breakfast Program	2010/2011	10.553	127,720	127,720
National School Lunch Program	2010/2011	10.555	353,503	353,503
Cash Assistance Subtotal			<u>481,223</u>	<u>481,223</u>
Total Child Nutrition Cluster			<u>517,898</u>	<u>517,898</u>
Total U.S. Department of Agriculture			517,898	517,898
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Title 1 Cluster:				
Title 1 Grants to Local Educational Agencies	2010	84.010	131,160	118,483
	2011		560,403	570,649
School Improvement - Subgrant A	2010		17,100	
	2011		10,925	10,925
Total Title 1 Grants to Local Educational Agencies			<u>719,588</u>	<u>700,057</u>
ARRA - Title 1 Grants to Local Educational Agencies	2010	84.389	20,101	33,267
	2011		226,359	248,360
Total ARRA - Title 1 Grants to Local Educational Agencies			<u>246,460</u>	<u>281,627</u>
Total Title 1 Cluster			966,048	981,684
Special Education Cluster:				
Special Education - Grants to States	2010	84.027	50,942	42,289
	2011		355,253	370,197
Total Special Education - Grants to States			<u>406,195</u>	<u>412,486</u>
Special Education - Preschool Grants	2010	84.173	1,935	2,118
	2011		11,000	11,000
Total Special Education - Preschool Grants			<u>12,935</u>	<u>13,118</u>
ARRA - Special Education - Grants to States	2010	84.391	25,869	26,614
	2011		70,052	67,719
Total ARRA - Special Education - Grants to States			<u>95,921</u>	<u>94,333</u>
ARRA - Special Education - Preschool Grants	2010	84.392	2,991	1,051
	2011		2,317	2,316
Total ARRA - Special Education - Preschool Grants			<u>5,308</u>	<u>3,367</u>
Total Special Education Cluster			520,359	523,304
Safe and Drug-Free Schools and Communities - State Grants	2010	84.186	1,209	1,209
	2011		783	783
Total Safe and Drug-Free Schools and Communities - State Grants			<u>1,992</u>	<u>1,992</u>

**WELLSTON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title</b>	Grant Year	Federal CFDA Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF EDUCATION (Continued)</b>				
<i>Passed Through Ohio Department of Education (Continued)</i>				
Education Technology State Grants	2010	84.318	\$ 732	\$
	2011		1,754	1,757
Total Education Technology State Grants			<u>2,486</u>	<u>1,757</u>
Rural Education	2010	84.358	21,660	11,748
	2011		25,041	31,170
Total Rural Education			<u>46,701</u>	<u>42,918</u>
Improving Teacher Quality State Grants	2010	84.367	12,444	13,518
	2011		123,738	124,678
Total Improving Teacher Quality State Grants			<u>136,182</u>	<u>138,196</u>
School Improvement Grants	2010	84.377	61,616	61,616
ARRA - State Fiscal Stabilization Fund - Education State Grants	2010	84.394		11,867
	2011		807,982	757,857
Total ARRA - State Fiscal Stabilization Fund - Education State Grants			<u>807,982</u>	<u>769,724</u>
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants	2011	84.395	55,987	70,248
Education Jobs	2011	84.410	14,629	14,629
Total U.S. Department of Education			<u>2,613,982</u>	<u>2,606,068</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$ 3,131,880</u></b>	<b><u>\$ 3,123,966</u></b>

*The Notes to the Federal Awards Receipts and Expenditures Schedule is an integral part of the Schedule.*

**WELLSTON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

The School District reports commodities consumed on the Schedule at fair value. The School District allocated donated food commodities to the respective program that benefited from the use of those donated food commodities.

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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*

Wellston City School District  
Jackson County  
One East Broadway Street  
Wellston, Ohio 45692

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Wellston City School District, Jackson County, Ohio (the School District), as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 28, 2012, wherein we noted the School District has adopted Governmental Accounting Standards Board Statement No. 54. 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 School District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School 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 School 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 School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain matter not requiring inclusion in this report that we reported to the School District's management in a separate letter dated February 28, 2012.

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



**Dave Yost**  
Auditor of State

February 28, 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

Wellston City School District  
Jackson County  
One East Broadway Street  
Wellston, Ohio 45692

To the Board of Education:

### Compliance

We have audited the compliance of the Wellston City School District, Jackson County, Ohio (the School 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 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 School District's major federal programs. The School 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 School 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 School 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 School District's compliance with these requirements.

In our opinion, the 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. However, the results of our auditing procedures disclosed an instance of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying Schedule of Findings lists this instance as Finding 2011-001.

### Internal Control Over Compliance

The School 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 School 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 opining 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 the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying Schedule of Findings as item 2011-001. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

We also noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the School District's management in a separate letter dated February 28, 2012.

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



**Dave Yost**  
Auditor of State

February 28, 2012

**WELLSTON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

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

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I Cluster CFDA #'s 84.010 and 84.389  Special Education Cluster CFDA #'s 84.027, 84.173, 84.391 and 84.392  State Fiscal Stabilization Fund – Education State Grants CFDA #84.394
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

**WELLSTON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2011  
(Continued)**

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
---------------------------------------

<b>Finding Number</b>	2011-001
<b>CFDA Title and Number</b>	ARRA- State Fiscal Stabilization Fund – Education State Grants; CFDA #84.394
<b>Federal Award Number / Year</b>	2011
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance Citation and Significant Deficiency – Cash Management**

34 C.F.R 80.20(b)(7) states in part that procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. 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.

The School District received State Fiscal Stabilization Funds (SFSF) through the Ohio Department of Education Foundation Program. Foundation payments were sent automatically to the District on a bi-monthly basis. The School District must spend advances within 30 days or by the end of the month, whichever occurs first.

The School District did not expend SFSF funds by the end of the month for 11 of the 24 advances received in fiscal year 2011; however, the School District did spend the SFSF advances within 30 days of receipt.

While imputed interest was not excessive, we note that failure to timely expend funds can result in excessive interest earned and questioned costs.

We recommend the Treasurer review fund balances periodically to ensure that all federal receipts are expended within the required period.

**Officials’ Response/Corrective Action Plan:** The State Fiscal Stabilization funds were sent to the District as part of the Sate Foundation payments. Unlike other grants, the District had no control over when these funds were received. The funds were spent within the 30 day period. As a District, we monitor our grant funds closely and only request what we are expected to expend for the month. The requests are always conservative in nature. Many grants are spent prior to receiving the cash from the State. By supplanting our foundation funds with the State Fiscal Stabilization funds, the State did not allow for the normal cash request procedures to be followed.

**WELLSTON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 §.315(b)  
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2010-001	2 C.F.R. Part 225, Appendix B Section 8g for paying severance directly from Special Education Grant to States – ARRA Funding.	Yes	

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# Dave Yost • Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedure

Wellston City School District  
Jackson County  
One East Broadway Street  
Wellston, Ohio 45692

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

1. We noted the Board amended its anti-harassment policy at its meeting on February 4, 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 28, 2012

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# Dave Yost • Auditor of State

WELLSTON CITY SCHOOL DISTRICT

JACKSON COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 27, 2012