



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P. O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State



**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Combined Balance Sheet - All Fund Types And Account Groups .....	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types.....	6
Combined Statement of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual (Non GAAP Budgetary Basis) - All Governmental Funds Types .....	8
Combined Statement of Revenues, Expenses and Changes in Fund Equity – All Proprietary and Similar Trust Fund Types.....	12
Combined Statement of Cash Flows – All Proprietary and Similar Trust Fund Types.....	13
Notes to the General Purpose Financial Statements.....	15
Schedule of Federal Awards Expenditures.....	36
Notes to Schedule of Federal Awards Expenditures .....	37
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	39
Report of Independent Accountants on Compliance with Requirements Applicable to Its Major Federal Programs and Internal Control over Compliance With OMB Circular A-133.....	41
Schedule of Findings.....	43
Schedule of Prior Audit Findings.....	45

**This page intentionally left blank.**



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Voinovich Government District  
242 Federal Plaza West  
Suite 302  
Youngstown, Ohio 44503  
Telephone 330-797-9900  
800-443-9271  
Facsimile 330-797-9949  
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS**

Wellsville Local School District  
Columbiana County  
929 Center Street  
Wellsville, Ohio 43938

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Wellsville Local School District, Columbiana County, (the District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Wellsville Local School District, Columbiana County, as of June 30, 2002 and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our report was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*, and is not a required part of the general-purpose financial statements. We subjected this information to auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

December 18, 2002

**This page intentionally left blank.**



**This page intentionally left blank.**

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
AS OF JUNE 30, 2002**

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$92,601	\$303,075	\$152,175	\$962,496
Investments	456,918			
Receivables:				
Taxes	896,264	17,761	156,662	137,924
Accounts Intergovernmental	402	1,024		
Accrued Interest	7,677	40,115		
Materials and Supplies Inventory				
Prepaid Items	18,573			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	70,567			
Fixed Assets				
Accumulated Depreciation				
<b>Other Debits:</b>				
Amount Available in Debt Service Fund for Retirement of Long-Term Obligations				
Amount to be Provided From General Government Resources				
<b>Total Assets and Other Debits</b>	<b><u>\$1,543,002</u></b>	<b><u>\$361,975</u></b>	<b><u>\$308,837</u></b>	<b><u>\$1,100,420</u></b>
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>				
<b>Liabilities:</b>				
Accounts Payable	\$42,104	\$13,003		
Accrued Wages and Benefits	522,465	114,084		
Compensated Absences Payable	2,020			
Intergovernmental Payable	92,694	14,416		
Deferred Revenue	826,381	31,221	\$143,106	\$124,965
Due to Students				
Capital Leases Payable				
General Obligation Bonds Payable				
<b>Total Liabilities</b>	<b><u>1,485,664</u></b>	<b><u>172,724</u></b>	<b><u>143,106</u></b>	<b><u>124,965</u></b>
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved:				
Reserved for Encumbrances		2,579		
Reserved for Prepaid Items	18,573			
Reserved for Debt Service Principal			152,175	
Reserved for Property Taxes	69,883		13,556	12,959
Reserved for Budget Stabilization	70,567			
Unreserved:				
Unreserved, Undesignated	(101,685)	186,672		962,496
<b>Total Fund Equity and Other Credits</b>	<b><u>57,338</u></b>	<b><u>189,251</u></b>	<b><u>165,731</u></b>	<b><u>975,455</u></b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b><u>\$1,543,002</u></b>	<b><u>\$361,975</u></b>	<b><u>\$308,837</u></b>	<b><u>\$1,100,420</u></b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$29,889		\$35,001			\$1,575,237 456,918
					1,208,611
17,854					1,426
					57,969
5,001					7,677
					5,001
					18,573
					70,567
248,238 (142,713)			\$15,760,476		16,008,714 (142,713)
				\$152,175	152,175
				2,042,444	2,042,444
<u>\$158,269</u>	<u></u>	<u>\$35,001</u>	<u>\$15,760,476</u>	<u>\$2,194,619</u>	<u>\$21,462,599</u>
	\$1,025	\$1,021			\$57,153
\$13,703	1,804				652,056
6,256	2,501			\$582,426	593,203
9,417	5,262			52,150	173,939
2,852					1,128,525
		23,730			23,730
				20,043	20,043
				1,540,000	1,540,000
<u>32,228</u>	<u>10,592</u>	<u>24,751</u>	<u></u>	<u>2,194,619</u>	<u>4,188,649</u>
			\$15,760,476		15,760,476
126,041	(10,592)				115,449
					2,579
					18,573
					152,175
					96,398
					70,567
		10,250			1,057,733
<u>126,041</u>	<u>(10,592)</u>	<u>10,250</u>	<u>15,760,476</u>	<u></u>	<u>17,273,950</u>
<u>\$158,269</u>	<u></u>	<u>\$35,001</u>	<u>\$15,760,476</u>	<u>\$2,194,619</u>	<u>\$21,462,599</u>

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2002**

	<b>Governmental Fund Types</b>	
	<b>General</b>	<b>Special Revenue</b>
<b>Revenues:</b>		
Intergovernmental	\$4,918,847	\$920,038
Interest	41,068	
Tuition and Fees	10,754	
Rent	185	
Extracurricular Activities	3,851	108,231
Gifts and Donations	459,714	3,705
Property & Other Local Taxes	1,002,062	20,031
Miscellaneous	18,858	28,276
Total Revenues	6,455,339	1,080,281
<b>Expenditures:</b>		
Instruction:		
Regular	3,103,791	487,720
Special	562,082	240,568
Vocational	251,546	
Support services:		
Pupils	203,955	50,795
Instructional Staff	159,906	63,884
Board of Education	11,799	
Administration	816,833	24,894
Fiscal	194,941	9,915
Operation and Maintenance of Plant	808,748	1,914
Pupil Transportation	121,746	
Extracurricular activities	130,520	82,671
Capital Outlay		
Debt Service		
Debt Service - Principal	11,218	
Debt Service - Interest	1,447	
Total Expenditures	6,378,532	962,361
Excess of Revenues Over (Under) Expenditures	76,807	117,920
<b>Other Financing Sources and Uses</b>		
Operating Transfers In		1,229
Refund of Prior Year Expenditures	437	
Other Financing Sources	181	9,000
Operating Transfer Out		(1,229)
Total Other Financing Sources (Uses)	618	9,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	77,425	126,920
Fund Balance at Beginning of Year	(20,087)	62,331
<b>Fund Balance at End of Year</b>	<b>\$57,338</b>	<b>\$189,251</b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

<b>Governmental Fund Types</b>		<b>Totals (Memorandum Only)</b>
<b>Debt Service</b>	<b>Capital Projects</b>	
	\$40,900	\$5,879,785
	12,467	53,535
		10,754
		185
		112,082
		463,419
173,318	156,569	1,351,980
		47,134
<u>173,318</u>	<u>209,936</u>	<u>7,918,874</u>
	3,244	3,594,755
		802,650
		251,546
		254,750
	21,200	244,990
		11,799
		841,727
3,375	3,052	211,283
	47,949	858,611
		121,746
		213,191
	598,197	598,197
45,000		56,218
85,939		87,386
<u>134,314</u>	<u>673,642</u>	<u>8,148,849</u>
<u>39,004</u>	<u>(463,706)</u>	<u>(229,975)</u>
		1,229
		437
		9,181
		(1,229)
		<u>9,618</u>
39,004	(463,706)	(220,357)
126,727	1,439,161	1,608,132
<u>\$165,731</u>	<u>\$975,455</u>	<u>\$1,387,775</u>

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2002**

	<b>Governmental Fund Types</b>		
	<b>General</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Intergovernmental	\$5,056,500	\$4,918,847	(\$137,653)
Interest	45,000	38,595	(6,405)
Tuition and Fees	12,000	10,754	(1,246)
Rent	300	185	(115)
Extracurricular Activities	2,050	3,851	1,801
Gifts and Donations	2,700	2,796	96
Property & Other Local Taxes	407,767	938,023	530,256
Miscellaneous	14,400	18,792	4,392
<b>Total Revenues</b>	<b>5,540,717</b>	<b>5,931,843</b>	<b>391,126</b>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	3,100,484	3,099,655	829
Special	559,398	559,398	
Vocational	258,249	258,249	
Support services:			
Pupils	196,250	187,718	8,532
Instructional Staff	170,671	170,671	
Board of Education	20,126	17,413	2,713
Administration	675,856	802,168	(126,312)
Fiscal	193,076	192,203	873
Operation and Maintenance of Plant	698,453	802,692	(104,239)
Pupil Transportation	107,000	176,933	(69,933)
Extracurricular activities	90,700	130,409	(39,709)
Capital Outlay			
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
<b>Total Expenditures</b>	<b>6,070,263</b>	<b>6,397,509</b>	<b>(327,246)</b>
Excess of Revenues Over (Under) Expenditures	(529,546)	(465,666)	63,880
<b>Other Financing Sources and Uses</b>			
Refund of Prior Year Expenditures	450	437	(13)
Advances In		8,687	8,687
Other Financing Sources			
Advances Out			
Other Financing Uses			
<b>Total Other Financing Sources (Uses)</b>	<b>450</b>	<b>9,124</b>	<b>8,674</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(529,096)	(456,542)	72,554
Fund Balances at Beginning of Year	563,385	563,385	
Prior Year Encumbrances Appropriated	17,482	17,482	
<b>Fund Balance at end of Year</b>	<b>\$51,771</b>	<b>\$124,325</b>	<b>\$72,554</b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

**Governmental Fund Types**

<b>Special Revenue</b>			<b>Debt Service</b>		
<b>Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
\$861,504	\$893,383	\$31,879			
105,258	107,207	1,949			
2,000	3,705	1,705			
18,833	20,031	1,198	\$152,757	\$162,843	\$10,086
21,200	28,276	7,076			
<u>1,008,795</u>	<u>1,052,602</u>	<u>43,807</u>	<u>152,757</u>	<u>162,843</u>	<u>10,086</u>
438,866	458,088	(19,222)			
227,987	239,747	(11,760)			
17,032	50,253	(33,221)			
110,892	69,592	41,300			
82,194	25,232	56,962			
6,048	10,382	(4,334)	3,000	3,375	(375)
88,151	1,914	86,237			
130,252	83,171	47,081			
			233,403	45,000	188,403
			40,000	85,939	(45,939)
<u>1,101,422</u>	<u>938,379</u>	<u>163,043</u>	<u>276,403</u>	<u>134,314</u>	<u>142,089</u>
<u>(92,627)</u>	<u>114,223</u>	<u>206,850</u>	<u>(123,646)</u>	<u>28,529</u>	<u>152,175</u>
9,000	9,000				
	(4,483)	(4,483)			
<u>(18,187)</u>		<u>18,187</u>			
<u>(9,187)</u>	<u>4,517</u>	<u>13,704</u>			
(101,814)	118,740	220,554	(123,646)	28,529	152,175
175,636	175,636		123,646	123,646	
2,479	2,479				
<u>\$76,301</u>	<u>\$296,855</u>	<u>\$220,554</u>		<u>\$152,175</u>	<u>\$152,175</u>

(Continued)

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2002**

	<b>Governmental Fund Types</b>		
	<b>Capital Projects</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Intergovernmental	\$11,200	\$40,900	\$29,700
Interest	15,043	15,864	821
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Property & Other Local Taxes	208,732	144,552	(64,180)
Miscellaneous			
<b>Total Revenues</b>	<b>234,975</b>	<b>201,316</b>	<b>(33,659)</b>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	18,244	3,244	15,000
Special			
Vocational			
Support services:			
Pupils	708,562		708,562
Instructional Staff		21,200	(21,200)
Board of Education			
Administration			
Fiscal	3,052	3,052	
Operation and Maintenance of Plant	8,345	47,949	(39,604)
Pupil Transportation			
Extracurricular activities			
Capital Outlay	858,593	598,197	260,396
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
<b>Total Expenditures</b>	<b>1,596,796</b>	<b>673,642</b>	<b>923,154</b>
Excess of Revenues Over (Under) Expenditures	(1,361,821)	(472,326)	889,495
<b>Other Financing Sources and Uses</b>			
Refund of Prior Year Expenditures			
Advances In			
Other Financing Sources			
Advances Out			
Other Financing Uses			
<b>Total Other Financing Sources (Uses)</b>			
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,361,821)	(472,326)	889,495
Fund Balances at Beginning of Year	1,434,822	1,434,822	
Prior Year Encumbrances Appropriated			
<b>Fund Balance at end of Year</b>	<b>\$73,001</b>	<b>\$962,496</b>	<b>\$889,495</b>

*The notes to the general-purpose financial statements are an integral part of this statement.*



<b>Totals (Memorandum Only)</b>		
<b>Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
\$5,929,204	\$5,853,130	(\$76,074)
60,043	54,459	(5,584)
12,000	10,754	(1,246)
300	185	(115)
107,308	111,058	3,750
4,700	6,501	1,801
788,089	1,265,449	477,360
35,600	47,068	11,468
<u>6,937,244</u>	<u>7,348,604</u>	<u>411,360</u>
3,557,594	3,560,987	(3,393)
787,385	799,145	(11,760)
258,249	258,249	
921,844	237,971	683,873
281,563	261,463	20,100
20,126	17,413	2,713
758,050	827,400	(69,350)
205,176	209,012	(3,836)
794,949	852,555	(57,606)
107,000	176,933	(69,933)
220,952	213,580	7,372
858,593	598,197	260,396
233,403	45,000	188,403
40,000	85,939	(45,939)
<u>9,044,884</u>	<u>8,143,844</u>	<u>901,040</u>
<u>(2,107,640)</u>	<u>(795,240)</u>	<u>1,312,400</u>
450	437	(13)
	8,687	8,687
9,000	9,000	
	(4,483)	(4,483)
<u>(18,187)</u>	<u>18,187</u>	<u>18,187</u>
<u>(8,737)</u>	<u>13,641</u>	<u>22,378</u>
(2,116,377)	(781,599)	1,334,778
2,297,489	2,297,489	
19,961	19,961	
<u>\$201,073</u>	<u>\$1,535,851</u>	<u>\$1,334,778</u>

WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND EQUITY  
ALL PROPRIETARY AND SIMILAR TRUST FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2002**

	Proprietary Fund Types		Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Internal Service	Non-Expendable Trust	
<b>Operating Revenues:</b>				
Sales	\$118,147			\$118,147
Other Revenues	12	\$83,797		83,809
Contributions and Donations			\$300	300
Total Operating Revenues	<u>118,159</u>	<u>83,797</u>	<u>300</u>	<u>202,256</u>
<b>Operating Expenses</b>				
Salaries	86,212	71,315		157,527
Fringe Benefits	39,160	21,338		60,498
Purchased Services	5,738	15,057		20,795
Materials and Supplies	134,046	5,837		139,883
Depreciation	12,661			12,661
Other	622	333	600	1,555
Total Operating Expenses	<u>278,439</u>	<u>113,880</u>	<u>600</u>	<u>392,919</u>
Operating Income (Loss)	<u>(160,280)</u>	<u>(30,083)</u>	<u>(300)</u>	<u>(190,663)</u>
<b>Non-Operating Revenues and Expenses</b>				
Federal Donated Commodities	14,298			14,298
Federal and State Subsidies	157,433			157,433
Total Non-Operating Revenues and Expenses	<u>171,731</u>			<u>171,731</u>
Net Income (Loss)	11,451	(30,083)	(300)	(18,932)
Retained Earnings/Fund Balance at Beginning of Year	114,590	19,491	\$10,550	144,631
Retained Earnings/Fund Balance at End of Year	<u>\$126,041</u>	<u>(\$10,592)</u>	<u>\$10,250</u>	<u>\$125,699</u>

*The notes to the general-purpose financial statements are an integral part of this statement.*

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY AND SIMILAR TRUST FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<b>Totals (Memorandum Only)</b>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
<b>Increase (Decrease) in Cash and Cash Equivalents</b>				
Cash Flows from Operating Activities:				
Cash Received from Sales	\$132,874			\$132,874
Other Cash Receipts	12	\$99,034	\$300	99,346
Cash Payments to Suppliers for Goods and Service	(128,820)	(5,356)		(134,176)
Cash Payments for Contract Services	(51)	(15,057)		(15,108)
Cash Payments for Employee Services	(87,647)	(71,124)		(158,771)
Cash Payments for Employee Benefits	(40,035)	(18,531)		(58,566)
Other Cash Payments	(442)	(333)	(600)	(1,375)
Net Cash Provided (Used) by Operating Activities	<u>(124,109)</u>	<u>(11,367)</u>	<u>(300)</u>	<u>(135,776)</u>
Cash Flows from Noncapital Financing Activities:				
Operating Grants Received	155,460			155,460
Advances Out	(4,204)			(4,204)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>151,256</u>			<u>151,256</u>
Net Increase (Decrease) in Cash and Cash Equivalents	27,147	(11,367)	(300)	15,480
Cash and Cash Equivalents at Beginning of Year	<u>2,742</u>	<u>11,367</u>	<u>\$10,550</u>	<u>24,659</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$29,889</u></u>	<u><u>\$11,367</u></u>	<u><u>\$10,250</u></u>	<u><u>\$40,139</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	(\$160,280)	(\$30,083)	(\$300)	(\$190,663)
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:				
Depreciation	12,661			12,661
Donated Commodities Used During the Year	14,298			14,298
Adjustments for Noncash Transactions	181			181
(Increase) Decrease in Assets:				
Accounts Receivable	14,727	15,237		29,964
Material and Supplies Inventory	1,213			1,213
Increase (Decrease) in Liabilities:				
Accounts Payable	(8,827)	481		(8,346)
Compensated Absences Payable	336	191		527
Intergovernmental Payable	2,795	1,003		3,798
Deferred Revenue	(1,457)			(1,457)
Accrued Wages and Benefits	244	1,804		2,048
Total Adjustments	<u>36,171</u>	<u>18,716</u>		<u>54,887</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><u>(\$124,109)</u></u>	<u><u>(\$11,367)</u></u>	<u><u>(\$300)</u></u>	<u><u>(\$135,776)</u></u>
Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 2002:				
Cash and Cash Equivalents — Trust and Agency Funds				\$35,001
Less: Agency Funds				<u>(24,751)</u>
Cash and Cash Equivalents — Nonexpendable Trust Funds				<u><u>\$10,250</u></u>

*The notes to the general-purpose financial statements are an integral part of this statement.*

**This page intentionally left blank.**

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District was established in 1875 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 10 square miles. It is located in Columbiana County, and includes the Village of Wellsville and portions of Madison and Yellow Creek Townships. The School District is the 490th largest in the State of Ohio (among 612 school districts) in terms of enrollment. The School District is staffed by 34 non-certificated employees and 86 certificated full-time teaching personnel who provide services to 1,051 students and other community members. The School District currently operates 5 instructional buildings.

*Reporting Entity:*

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District 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 Wellsville Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The School District is associated with two organizations, which are defined as a jointly governed organization and an insurance purchasing pool. These organizations include the Columbiana County Career Center, and the Ohio School Boards Association Worker's Compensation Group Rating Plan. These organizations are presented in Notes 15 and 16 to the general purpose financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Wellsville Local 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 proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis Of Presentation - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

**1. Governmental Fund Types:**

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

**General Fund**

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

**Special Revenue Funds**

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

**Debt Service Fund**

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

**Capital Projects Fund**

The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Proprietary Fund Types:**

Proprietary funds are used to account for the School District's ongoing activities, which are similar to those found in the private sector. The following are the School District's proprietary fund types:

**Enterprise Funds**

Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Internal Service Fund**

The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

**3. Fiduciary Fund Types:**

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust, nonexpendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**4. Account Groups:**

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

**General Fixed Assets Account Group**

This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

**General Long-Term Obligations Account Group**

This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into retained earning components. Proprietary and nonexpendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2002, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2003 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and the nonexpendable trust funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.



**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

**1. Tax Budget:**

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Columbiana County Budget Commission for rate determination.

**2. Estimated Resources:**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2002.

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Appropriations:**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

**4. Encumbrances:**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

**5. Lapsing of Appropriations:**

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. All investments of the School District had a maturity of two years or less. Investments are stated at cost or amortized cost. Investment earnings are allocated as authorized by State statute.

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Star Ohio is an investment pool maintained by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. Star Ohio is not registered with the SEC as an investment company but does operate in a manner consistent with rule 227 of the Investment Act of 1940. Investments in Star Ohio are valued at Star Ohio's share price, which is the price the investment could be sold for on June 30, 2002.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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 considered to be cash equivalents.

**E. Inventory**

Inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

**F. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the 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 have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

**G. Interfund Assets/Liabilities**

Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account, which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Compensated Absences**

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

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for employees after 20 years of current service with the School District, or after 15 years of service and at least 45 years of age, or after 5 years of service and at least 50 years of age. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**I. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources.

**J. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**K. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 18 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Fund Balance Reserves**

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. Under Ohio law, unclaimed money must be held for five years before it becomes available for appropriation. Money not yet held for the five-year period is presented as reserved. The reserve for endowments signifies the legal restrictions on the use of principal.

**M. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**3. ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At June 30, 2002, the Disadvantaged Pupil Impact Aid Fund, Ohio Reads Fund, Title VI-B Fund, Title I Fund, and the SPCC Fund had deficit fund balances of \$58,241, \$4,848, \$8,270, \$2,316, and \$10,592 respectively, which were created by the application of 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.

**B. Compliance**

The Title VI-B Fund had expenditures plus encumbrances in excess of appropriations for the fiscal year ended June 30, 2002, contrary to Ohio Revised Code Section 5705.41 (B).

In the future, the school district will revise the appropriation resolution during the year as needed in an effort to eliminate expenditures plus encumbrances exceeding appropriations.

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**4. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual-All Governmental Fund Types are 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 basis are that:

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).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

**Excess (Deficiency) of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types**

	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
Budget Basis	(\$456,542)	\$118,740	\$28,529	(\$472,326)
Adjustments for:				
Revenue Accruals	523,496	27,679	10,475	8,620
Expenditure Accruals	16,631	(30,203)		
Other Accruals	(8,506)	4,483		
Encumbrances	2,346	6,221		
GAAP Basis	<u>\$77,425</u>	<u>\$126,920</u>	<u>\$39,004</u>	<u>(\$463,706)</u>

**5. DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two-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.

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

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.

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

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

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

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

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

Funds invested by fiscal agents are determined by trust agreements and bond indentures. Like the cash invested by the District Treasurer, eligible investments include U.S. government obligations, U.S. government agencies, and certificate of deposit.

Any public depository, at the time it receives a District deposit or investment in a certificate of deposit, is required to pledge to the investing authority as collateral eligible securities of aggregate market value that, when added to the portion of the deposit insured by the Federal Deposit Insurance Corporation or the Savings Association Fund, equals or exceeds the amount of District funds deposited.

A public depository may at its option pledge a single pool of eligible securities to secure the repayment of all public monies held by the depository. The pool of securities so pledged must have a current market value at least equal to 110 percent of all public monies on deposit with the depository including the amount covered by federal insurance.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

*Deposits:* At fiscal year end, the carrying amount of the School District's deposits was \$1,634,901 and the bank balance was \$1,767,430. Of the bank balance, \$100,000 was covered by federal depository insurance and \$1,667,430 was uninsured and uncollateralized. Although all State statutory requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

*Investments:* The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments, which are held by the counter-party's, trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter-party, or by its trust department or agent but not in the School District's name. The School District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	<b>Category 2</b>	<b>Unclassified</b>	<b>Carrying Fair Value</b>
Common Stock	\$456,918	\$0	\$456,918
STAR Ohio	0	10,903	10,903
Total	\$456,918	\$10,903	\$467,821



**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications per GASB Statement No. 3 is as follows:

	<b>Cash and Cash Equivalents</b>	<b>Investments</b>
GASB Statement 9	\$1,645,804	\$456,918
STAR Ohio	(10,903)	10,903
GASB Statement 3	\$1,634,901	\$467,821

**6. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true 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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Columbiana 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, 2002, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**6. PROPERTY TAXES (Continued)**

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes, which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2002, was \$69,883 in the General Fund, \$13,556 in the Bond Retirement Debt Service Fund, and \$12,959 in the Permanent Improvement Fund.

The assessed values upon which fiscal year 2002 taxes were collected are:

	<b>2001 Second- Half Collections</b>		<b>2002 First- Half Collections</b>	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$32,174,710	80%	\$31,939,570	81%
Public Utility	4,576,020	12%	3,996,290	10%
Tangible Personal Property	3,367,070	8%	3,663,180	9%
Total Assessed Value	<u>\$40,117,800</u>	<u>100%</u>	<u>\$39,599,040</u>	<u>100%</u>
Tax rate per \$1,000 of Assessed valuation	\$39.89		\$39.89	

**7. RECEIVABLES**

Receivables at June 30, 2002, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), 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.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
General Fund	
Taxes	\$896,264
Accounts	402
Accrued Interest	7,677
Special Revenue Funds	
Taxes	17,761
Accounts	1,024
Intergovernmental	40,115
Debt Service	
Taxes	156,662
Capital Projects	
Taxes	137,924
Enterprise	
Intergovernmental	17,854
Total Receivables	<u>\$1,275,683</u>

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**8. FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$248,238
Less: Accumulated Depreciation	(142,713)
Net Fixed Assets	\$105,525

The general fixed asset group has been restated as of July 1, 2001 due to a prior period adjustment. The changes in general fixed assets for the prior year consisted of:

Asset Category	Balance at 6/30/01	Prior Period Adjustment	Balance at 7/01/01
Land and Improvements	\$510,284	\$ 577,720	\$1,088,004
Buildings	2,407,851	(810,754)	1,597,097
Furniture and Equipment	1,493,559	1,605,459	3,099,018
Vehicles	279,478	13,159	292,637
Construction in Progress	12,437,933	(2,988,198)	9,449,735
Totals	\$17,129,105	\$(1,602,614)	\$15,526,491

A summary of the changes in general fixed assets during fiscal year 2002 follows:

Asset Category	Balance at 7/01/01	Additions	Deletions	Balance at 6/30/02
Land and Improvements	\$1,088,004			\$1,088,004
Buildings	1,597,097	\$9,454,455		11,051,552
Furniture and Equipment	3,099,018	174,779		3,273,797
Vehicles	292,637	54,486		347,123
	9,449,735		(9,449,735)	
Totals	\$15,526,491	\$9,683,720	(9,449,735)	\$15,760,476

**9. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002 the School District's insurance coverage through Wausau Insurance Corporation was as follows:

Type of Coverage	Deductible	Liability Limit
Building and Contents	\$1,000	\$32,952,477
Automobile Liability	100	1,000,000
Uninsured Motorists	0	1,000,000
General Liability		
Per occurrence	0	1,000,000
Per year		5,000,000
Umbrella Liability		
- Per occurrence	0	2,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years.

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**9. RISK MANAGEMENT**

For fiscal year 2002, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). 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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. 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.

**10. DEFINED BENEFIT PENSION PLAN**

**A. School Employees Retirement System**

The Wellsville Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit 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 the State per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand alone financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the Wellsville Local School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of the annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by SERS's Retirement Board. The School District's contributions to SERS for the years ended June 30, 2002, 2001 and 2000 were \$122,540, \$119,270, and \$119,118, respectively; 46 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$66,240 representing unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds and the general long-term obligations account.

**B. State Teachers Retirement System**

The Wellsville Local School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system. The plan offers comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. Benefits are established by Chapter 3307, of the Ohio Revised Code. STRS 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 STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**10. DEFINED BENEFIT PENSION PLAN**

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2002 were 9.3 percent of covered payroll for members and 14 percent for employers. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$491,128, \$469,479, and \$475,791, respectively; 82 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$88,340 representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds.

**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 Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, all members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**11. POSTEMPLOYMENT BENEFITS**

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of monthly premiums.

The Ohio Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2001, the board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.256 billion on June 30, 2001.

For the year ended June 30, 2001 (the latest information available), net health care costs paid by STRS were \$300,772,000. There were 102,132 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**11. POSTEMPLOYMENT BENEFITS (Continued)**

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2001, the allocation rate is 9.80 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2001, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available) were \$182,946,777 and the target level was \$274.4 million. At June 30, 2001, the Retirement System's net assets available for payment of health care benefits were \$335.2 million.

The number of participants currently receiving health care benefits is approximately 50,000.

The portion of the employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .70, then adding the surcharge due as of June 30, 2001, as certified to the district by SERS.

**12. EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 296 days for classified employees and 296 days for certificated employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 61 days for classified employees and 61 days for certificated employees.

**B. Life Insurance**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Anthem Blue Cross Blue Shield.

**C. Retirement Incentive Plan Bonus Payment**

In addition to severance pay, a \$2,000 bonus will be paid to any certificated employee at the time of his/her retirement from the School District and acceptance for receipt of retirement benefits by the State Teachers Retirement System. An additional \$5,000 was paid to any certificated employee who retired by June 13, 2001.

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**13. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	<u>Balance at 07/01/01</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 06/30/02</u>
School Improvement Bonds	\$1,585,000		\$45,000	\$1,540,000
Capital Lease	31,261		11,218	20,043
Pension Obligation	40,170	\$11,980		52,150
Compensated Absences	573,614	8,812		582,426
Total Long-Term Obligations	<u>\$2,230,045</u>	<u>\$20,792</u>	<u>\$56,218</u>	<u>\$2,194,619</u>

*General Obligation Bonds* - On May 1, 1998, Wellsville Local School District issued \$1,709,000 in voted general obligation bonds for school improvements. The bonds were issued for a twenty-two year period with final maturity at December 1, 2020, with varying interest rates from 4.35 percent to 5.65 percent. The bonds will be retired from the debt service fund.

Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

The School District's voted legal debt margin was \$2,023,914 with an unvoted debt margin of \$39,599 at June 30, 2002.

Principal and interest requirements to retire general obligation debt, including notes outstanding at June 30, 2002, are as follows:

<u>Fiscal year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$50,000	\$84,870	\$134,870
2004	50,000	82,395	132,395
2005	55,000	79,895	134,895
2006	55,000	77,090	132,090
2007	60,000	74,230	134,230
2008-2012	350,000	319,433	669,433
2013-2017	450,000	211,875	661,875
2018-2021	470,000	67,800	537,800
Total	<u>\$1,540,000</u>	<u>\$997,588</u>	<u>\$2,537,588</u>

**14. SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains two enterprise funds to account for the operations of food service and adult education. The table below reflects the more significant financial data relating to the enterprise funds of the Wellsville Local School District as of and for the fiscal year ended June 30, 2002.

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**14. SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)**

	<b>Food Service</b>	<b>Adult Education</b>	<b>Total Enterprise Funds</b>
Operating Revenues	\$118,159		\$118,159
Depreciation Expense	12,661		12,661
Operating Income (Loss)	(160,280)		(160,280)
Donated Commodities	14,298		14,298
Grants	157,433		157,433
Net Income (Loss)	11,451		11,451
Net Working Capital	17,774	\$2,742	20,516
Total Assets	155,527	2,742	158,269
Total Liabilities	32,228		32,228
Total Equity	123,299	2,742	126,041

**15. JOINTLY GOVERNED ORGANIZATIONS**

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

**16. INSURANCE PURCHASING POOL**

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

**17. CONTINGENCIES**

**Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.



**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**18. SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 2001	(\$11,657)		\$70,567	
Current Year Set-aside Requirement	149,041	\$149,041		
Current Year Offsets Qualifying Disbursements	<u>(157,865)</u>	<u>(149,041)</u>		
Total	<u>(\$20,481)</u>	<u>                    </u>	<u>\$70,567</u>	
Cash Balance Carried Forward to FY 2003	<u>(\$20,481)</u>	<u>                    </u>	<u>\$70,567</u>	
Total Restricted Assets				<u>\$70,567</u>

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts in the textbook set-aside to below zero; the amount may be used to reduce the set-aside requirements of future years.

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended Ohio Revised Code Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. S.B. 345 places special restrictions on the use of Bureau of Workers Compensation (BWC) rebate money remaining in the budget stabilization reserve as of April 10, 2001, which is \$70,567 at June 30, 2002. Other non-BWC monies previously reported in the budget stabilization reserve are now reported as unreserved and undesignated fund balance in the general fund. The District is still required by state law to maintain the textbook reserve and capital acquisition reserve.

**19. SCHOOL FUNDING DECISION**

On December 11, 2002, The Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2002**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	03-PU-01	10.550		\$14,298		\$14,298
National School Lunch Program	04-PU-01	10.555	147,685		147,685	
National School Breakfast Program	05-PU-01	10.553	<u>7,777</u>		<u>7,777</u>	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>155,462</u>	<u>14,298</u>	<u>155,462</u>	<u>14,298</u>
<b>U.S. Department of Education</b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Title VI-B Flow Through	6B-SF-02P	84.027	<u>93,878</u>		<u>87,918</u>	0
Total Special Education Cluster			93,878		87,918	
Goals 2000 Grant	G2-S2-02	84.276			<u>4,051</u>	
Total Goals 2000 Grant					4,051	
Title VI-R ,Class Size Reduction Grant	CR-S1-02	84.340	<u>51,090</u>		<u>43,195</u>	
Total Class Size Reduction Grant			51,090		43,195	
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-01 C1-S1-02	84.010	30,688 <u>254,364</u>		38,538 <u>232,884</u>	
Total ESEA Title I			285,052		271,422	
Safe & Drug Free School Grant	DR-S1-01 DR-S1-02	84.186	1,782 <u>900</u>		424 <u>900</u>	
Total Safe & Drug Free School Grant			2,682		1,324	
Dwight D. Eisenhower Professional Development Grant, Title II	MS-S1-01 MS-S1-02	84.281	<u>7,556</u>		2,356 <u>2,878</u>	
Total Dwight D. Eisenhower Grant			7,556		5,234	
Federal Improvement Education Grant	FY 02	84.215	<u>9,000</u>		<u>3,309</u>	
Total Federal Improvement Education Grant			9,000		3,309	
Innovative Education Program	IE- 02 IE- 01 IE- 00	84.298	3,125 <u>1,563</u> <u>4,688</u>		918 <u>1563</u> <u>2,481</u>	
Total Innovative Education Program			4,688		2,481	
<b>Total Department of Education</b>			<u>453,946</u>	<u>14,298</u>	<u>418,934</u>	<u>14,298</u>
<b>Total Federal Financial Assistance</b>			<u>\$609,408</u>	<u>\$14,298</u>	<u>\$574,396</u>	<u>\$14,298</u>

The accompanying notes to this schedule are an integral part of this schedule.

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2002**

**1. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Award Expenditures (the Schedule) summarizes activity of the District's Federal Award Programs. The Schedule has been prepared using the cash basis of accounting.

**2. FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.

**This page intentionally left blank.**



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Voinovich Government District  
242 Federal Plaza West  
Suite 302  
Youngstown, Ohio 44503  
Telephone 330-797-9900  
800-443-9271  
Facsimile 330-797-9949  
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Wellsville Local School District  
Columbiana County  
929 Center Street  
Wellsville, Ohio 43938

To the Board of Education:

We have audited the financial statements of the Wellsville Local School District, Columbiana County, as of and for the year ended June 30, 2002 and have issued our report thereon dated December 18, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Wellsville Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulation, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule findings as item 02-11215-001. We also noted certain immaterial instances of noncompliance which we have reported to the management of the Wellsville Local School District in a separate letter dated December 18, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Wellsville Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 02-11215-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we considered the reportable condition described above, item 02-11215-002, to be a material weakness. We also noted a certain matter involving the internal control over financial reporting that does not require inclusion in this report that we have reported to management of the District in a separate letter dated December 18, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**Jim Petro**  
Auditor of State

December 18, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Voinovich Government District  
242 Federal Plaza West  
Suite 302  
Youngstown, Ohio 44503  
Telephone 330-797-9900  
800-443-9271  
Facsimile 330-797-9949  
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO ITS MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Wellsville Local School District  
Columbiana County  
929 Center Street  
Wellsville, Ohio 43938

To the Board of Education:

**Compliance**

We have audited the compliance of the Wellsville Local School District, Columbiana County, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grant applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

**Internal Control Over Compliance**

The management of the Wellsville Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters of the internal controls that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal controls over compliance and its operation that we consider to be material weaknesses.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

**Jim Petro**  
Auditor of State

December 18, 2002



**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
JUNE 30, 2002**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
--

<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)?	YES
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	NO
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	YES
<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 other reportable internal control weakness conditions reported for major federal programs?	NO
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	UNQUALIFIED
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	NO
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster CFDA #10.550, 10.553,10.555
<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?	YES

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
JUNE 30, 2002  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---

<b>Finding Number</b>	<b>02-11215-001</b>
-----------------------	---------------------

**Ohio Revised Code § 5705.41(B)** states that no subdivision or taxing unit is to expend money unless it has been appropriated. Expenditures exceeded appropriations by 21% in the Title VI-B Fund.

The District should monitor expenditures and make the necessary amendments to the appropriations to guard against overspending.

<b>Finding Number</b>	<b>02-11215-002</b>
-----------------------	---------------------

**Estimated Resources/Appropriations**

The Treasurer failed to post the estimated resources, as certified by the budget commission, to the District's accounting system until March 2002. As a result, the budget vs. actual comparisons made from the ledgers were not an accurate reflection of the District's financial activity for the period of July 2001 through March 2002. Inaccurate data does not provide the District with an effective means of monitoring the budget and diminishes the ability of the Board to manage the finances of the District.

The appropriations passed by the Board of Education were not posted to the accounting system until September 2001. In addition, appropriations for the Classroom Facilities Fund were not posted until November for one line item and in June for the remaining line items. As the appropriations establish the legal spending authority of the District and the appropriation ledger provides the process by which the District controls spending, it is necessary that amounts appropriated by the Board of Education be accurately posted to the fund/function.

All budgetary information certified by the Budget Commission or authorized by the Board of Education should be routinely posted to the records. The Treasurer should continuously supervise this function by inspecting official documents from the county budget commission and matching the information against the District's ledgers. Complete and accurate information would provide an effective means of monitoring the budget and managing the financial activity of the District at any given time.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
--

<b>None</b>	
-------------	--

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2002**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer</u> Valid; <b><i>Explain:</i></b>
01-11215-001	Ohio Revised Code 5705.41(B), Expenditures exceeded appropriations in the Drivers Education Fund by 22%	No	Reissued as Finding 02-11215-001
01-11215-002	Estimated resources were not posted to the ledger until year end.	No	Reissued as Finding 02-11215-002





STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**WELLSVILLE LOCAL SCHOOL DISTRICT**

**COLUMBIANA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 11, 2003**