



Dave Yost • Auditor of State

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wellsville Local School District, Columbiana County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wellsville Local School District, Columbiana County, Ohio, as of June 30, 2012, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Dave Yost
Auditor of State

March 12, 2013

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)

The management's discussion and analysis of the Wellsville Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2012 are as follows:

- In total, net assets of governmental activities decreased \$504,175, which represents a 6.08% decrease from 2011.
- General revenues accounted for \$6,734,813 in revenue or 73.46% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,433,533 or 26.54% of total revenues of \$9,168,346.
- The District had \$9,672,521 in expenses related to governmental activities; only \$2,433,533 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,734,813 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and the permanent improvement fund. The general fund had \$7,586,782 in revenues and \$7,911,236 in expenditures. During fiscal year 2012, the general fund's fund balance decreased \$324,454 from a balance of \$1,573,613 to a balance of \$1,249,159.
- The permanent improvement fund had \$146,117 in revenues and \$314,572 in expenditures. During fiscal year 2012, the permanent improvement fund's fund balance decreased \$168,455 from \$743,210 to \$574,755.

Using the Basic Financial Statements

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

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District perform financially during 2012?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)

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

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

The District's statement of net assets and statement of activities can be found on pages 12-13 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 14-18 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 19 and 20. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 21-48 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)

The District as a Whole

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

The table below provides a summary of the District's net assets for 2012 and 2011.

	Net Assets	
	Governmental Activities 2012	Governmental Activities 2011
<u>Assets</u>		
Current and other assets	\$ 5,037,930	\$ 5,727,929
Capital assets, net	<u>6,408,112</u>	<u>6,526,700</u>
Total assets	<u>11,446,042</u>	<u>12,254,629</u>
<u>Liabilities</u>		
Current liabilities	2,023,948	2,221,406
Long-term liabilities	<u>1,627,694</u>	<u>1,734,648</u>
Total liabilities	<u>3,651,642</u>	<u>3,956,054</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	5,346,529	5,344,167
Restricted	1,474,883	2,154,584
Unrestricted	<u>972,988</u>	<u>799,824</u>
Total net assets	<u>\$ 7,794,400</u>	<u>\$ 8,298,575</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$7,794,400. At year-end, restricted net assets were \$1,474,883.

At year-end, capital assets represented 55.99% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2012, were \$5,346,529. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

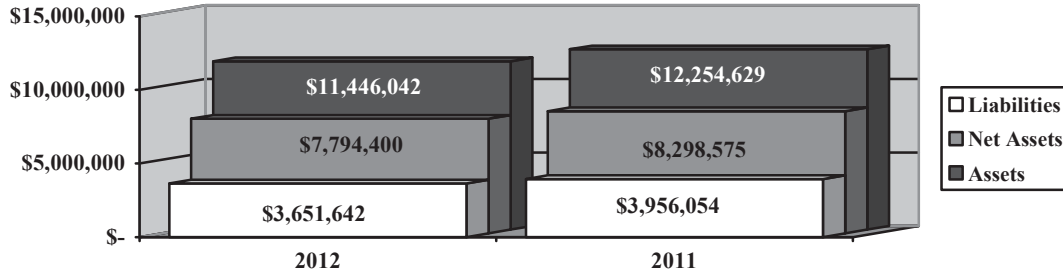
A portion of the District's net assets, \$1,474,883, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is \$972,988.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)

The graph below shows the District's assets, liabilities, and net assets at June 30, 2012 and 2011.

Governmental Activities



The table below shows the change in net assets for fiscal year 2012 compared to fiscal year 2011.

	Change in Net Assets	
	Governmental Activities 2012	Governmental Activities 2011
	<u> </u>	<u> </u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 789,028	\$ 845,212
Operating grants and contributions	1,644,505	2,523,303
General revenues:		
Property taxes	982,101	1,106,694
Grants and entitlements	5,719,276	5,277,628
Investment earnings	29,861	38,295
Miscellaneous	<u>3,575</u>	<u>272</u>
Total revenues	<u>\$ 9,168,346</u>	<u>\$ 9,791,404</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)

	Change in Net Assets	
	Governmental	Governmental
	Activities	Activities
	<u>2012</u>	<u>2011</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	4,566,808	5,120,344
Special	1,198,719	1,111,282
Vocational	156,250	171,243
Other	114,044	89,481
Support services:		
Pupil	299,093	320,281
Instructional staff	388,659	407,609
Board of education	12,914	13,346
Administration	869,849	830,279
Fiscal	217,277	242,007
Operations and maintenance	885,336	996,262
Pupil transportation	180,630	160,417
Central	64,129	59,468
Operation of non-instructional services:		
Other non-instructional services	769	7,447
Food service operations	429,180	428,203
Extracurricular activities	232,880	291,066
Interest and fiscal charges	<u>55,984</u>	<u>60,683</u>
Total expenses	<u>9,672,521</u>	<u>10,309,418</u>
Change in net assets	(504,175)	(518,014)
Net assets at beginning of year	<u>8,298,575</u>	<u>8,816,589</u>
Net assets at end of year	<u>\$ 7,794,400</u>	<u>\$ 8,298,575</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$504,175. Total governmental expenses of \$9,672,521 were offset by program revenues of \$2,433,533 and general revenues of \$6,734,813. Program revenues supported 25.16% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 73.09% of total governmental revenue. Tax revenues decreased 11.26% from fiscal year 2011 due to a slight decrease in the District's tax base from values on which prior year revenues were based, lower delinquent taxes due to the District at June 30, 2012, and lower advances available from the Columbiana County Auditor. Real estate property is reappraised every six years. Instruction expenses increased during the year due to increased expenditures for regular and special instruction paid from the general fund and expenditures in the poverty aid and education stabilization funds that exceeded expenditures in fiscal year 2011.

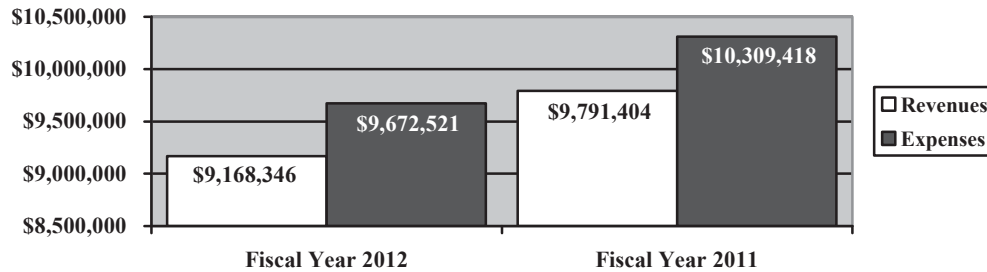
Operating grants and contributions program revenues decreased 34.83%, primarily due to the reduction in federal funding from education jobs, IDEA Part-B special education, and state fiscal stabilization grants, the revenues of which decreased \$316,904, \$83,202, and \$460,503, respectively, during fiscal year 2012; in the governmental activities, these grants were recognized as revenue in the year in which the District was granted funding, while on the fund financial statements the District did not recognize revenue until grant proceeds were received or available for spending (see Note 2.D).

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2012 and 2011.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Program expenses				
Instruction:				
Regular	\$ 4,566,808	\$ 3,753,239	\$ 5,120,344	\$ 3,535,539
Special	1,198,719	306,150	1,111,282	295,207
Vocational	156,250	133,649	171,243	148,642
Other	114,044	114,044	89,481	89,481
Support services:				
Pupil	299,093	248,392	320,281	280,580
Instructional staff	388,659	218,492	407,609	191,617
Board of education	12,914	12,914	13,346	13,346
Administration	869,849	844,392	830,279	604,845
Fiscal	217,277	210,539	242,007	236,744
Operation and maintenance	885,336	884,319	996,262	987,406
Pupil transportation	180,630	180,630	160,417	159,821
Central	64,129	63,306	59,468	59,384
Operation of non-instructional services:				
Other non-instructional services	769	(99)	7,447	(1,536)
Food service operations	429,180	75,174	428,203	59,861
Extracurricular activities	232,880	137,863	291,066	219,283
Interest and fiscal charges	55,984	55,984	60,683	60,683
Total expenses	<u>\$ 9,672,521</u>	<u>\$ 7,238,988</u>	<u>\$ 10,309,418</u>	<u>\$ 6,940,903</u>

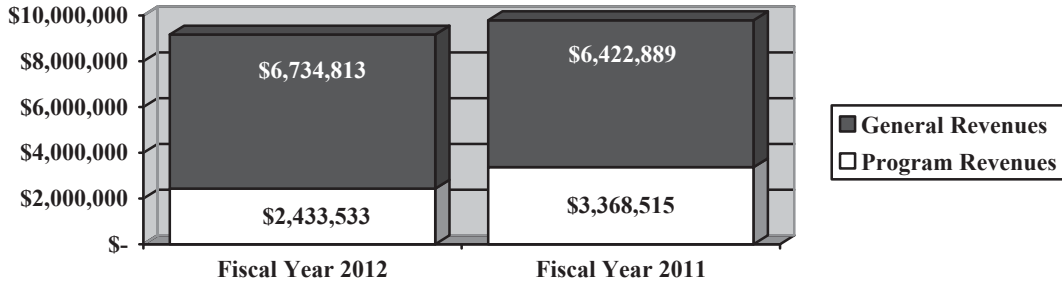
The dependence upon tax and other general revenues for governmental activities is apparent; 71.36% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 74.84%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are the primary support for District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)

The graph below presents the District's governmental activities revenue for fiscal years 2012 and 2011.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$2,610,225, which is lower than last year's total of \$3,066,892. The schedule below indicates the fund balance and the total change in fund balance as of June of June 30, 2012 and 2011.

	Fund Balance <u>June 30, 2012</u>	Fund Balance <u>June 30, 2011</u>	Increase <u>(Decrease)</u>
General	\$ 1,249,159	\$ 1,573,613	\$ (324,454)
Permanent Improvement	574,755	743,210	(168,455)
Other Governmental	<u>786,311</u>	<u>750,069</u>	<u>36,242</u>
Total	<u>\$ 2,610,225</u>	<u>\$ 3,066,892</u>	<u>\$ (456,667)</u>

General Fund

The District's general fund balance decreased \$324,454. The table that follows assists in illustrating the financial activities of the general fund.

	2012 <u>Amount</u>	2011 <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 799,469	\$ 833,715	\$ (34,246)	(4.11) %
Tuition	632,429	698,533	(66,104)	(9.46) %
Earnings on investments	29,861	38,295	(8,434)	(22.02) %
Intergovernmental	6,108,586	5,530,283	578,303	10.46 %
Other revenues	<u>16,437</u>	<u>13,151</u>	<u>3,286</u>	24.99 %
Total	<u>\$ 7,586,782</u>	<u>\$ 7,113,977</u>	<u>\$ 472,805</u>	6.65 %
<u>Expenditures</u>				
Instruction	\$ 5,173,542	\$ 4,819,575	\$ 353,967	7.34 %
Support services	2,559,044	2,479,415	79,629	3.21 %
Extracurricular activities	<u>178,650</u>	<u>190,696</u>	<u>(12,046)</u>	(6.32) %
Total	<u>\$ 7,911,236</u>	<u>\$ 7,489,686</u>	<u>\$ 421,550</u>	5.63 %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)

Tax revenues in the general fund decreased 4.11% due to decreased collections during fiscal year 2012 and lower advances available for advance at fiscal year-end from the Columbiana County Auditor at June 30, 2012. The amount of property tax advances available at year end can fluctuate based on when the Columbiana County Auditor distributes tax bills. Tuition revenues decreased from the prior year due to lower tuition receipts for open enrollment. Intergovernmental revenues increased during 2012 due to higher receipts from the State foundation, while earnings on the District's depository accounts and investments fell by 22.02%.

Instruction expenditures increased in fiscal year 2012 from the prior year due to increased employee salaries and benefits for regular, special, and vocational instruction programs, and increased payments for open enrollment and community schools deducted through the State foundation. Meanwhile, extracurricular activities expenditures decreased 6.32% due to lower expenditures for athletic employees' salaries and benefits.

Permanent Improvement Fund

The permanent improvement capital projects fund had \$146,117 in revenues and \$314,572 in expenditures. During fiscal year 2012, the permanent improvement fund's fund balance decreased \$168,455 from \$743,210 to \$574,755.

General Fund Budgeting Highlights

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

During the course of fiscal year 2012, the District amended its general fund budget numerous times. For the general fund, original budgeted revenues of \$8,063,963 were decreased to \$7,193,034 in the final budget. Actual revenues for fiscal year 2012 were \$7,581,722. This represents a favorable variance of \$388,688 from final budgeted revenues.

General fund original appropriations of \$11,156,819 were decreased to \$10,285,890 in the final budget. The actual budget basis expenditures and for fiscal year 2012 totaled \$8,100,644, which were \$2,185,246 less than the final budgeted appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the District had \$6,408,112 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in the governmental activities.

The following table shows fiscal year 2012 balances compared to 2011.

	Capital Assets at June 30	
	(Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Land	\$ 312,056	\$ 291,858
Construction in progress	-	24,900
Land improvements	449,458	213,247
Building and improvements	5,377,449	5,671,198
Furniture and equipment	143,125	176,111
Vehicles	<u>126,024</u>	<u>149,386</u>
Total	<u>\$ 6,408,112</u>	<u>\$ 6,526,700</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)

The overall decrease in capital assets of \$118,588 is due to depreciation expense of \$508,528 and disposals of \$3,380, net of accumulated depreciation, exceeding capital outlays of \$393,320. See Note 8 to the basic financial statements for additional information regarding the District's capital assets.

Debt Administration

At June 30, 2012, the District had \$1,096,488 in general obligation bonds and an energy conservation loan outstanding. Of this total, \$110,000 is due within one year and \$986,488 is due within more than one year. The following table summarizes outstanding debt obligations at June 30, 2012 and June 30, 2011.

Outstanding Debt, at Year End

	Governmental Activities 2012	Governmental Activities 2011
	<u>2012</u>	<u>2011</u>
Refunding bond issue	\$ 916,488	\$ 996,417
Energy conservation loan	<u>180,000</u>	<u>200,000</u>
Total	<u>\$ 1,096,488</u>	<u>\$ 1,196,417</u>

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

Current Financial Related Activities

The District is holding its own in the state of a declining economy and uncertainty in State funding. The District is located in a small rural community of 3,800 in Eastern Ohio. It has a number of small- and medium-scale businesses, and the economy of the area is largely influenced by local agriculture.

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

Contacting the District's Financial Management

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

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

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 3,309,385
Receivables:	
Taxes.	1,427,308
Accounts.	1,989
Intergovernmental	269,587
Prepayments	16,455
Materials and supplies inventory.	3,587
Unamortized bond issuance costs	9,619
Capital assets:	
Land.	312,056
Depreciable capital assets, net.	6,096,056
Capital assets, net	6,408,112
 Total assets.	 11,446,042
 Liabilities:	
Accounts payable.	30,525
Accrued wages and benefits	628,049
Pension obligation payable	157,555
Intergovernmental payable	18,682
Unearned revenue	1,186,272
Accrued interest payable	2,865
Long-term liabilities:	
Due within one year.	214,968
Due in more than one year.	1,412,726
Total long-term liabilities.	1,627,694
 Total liabilities	 3,651,642
 Net Assets:	
Invested in capital assets, net of related debt.	5,346,529
Restricted for:	
Capital projects	762,606
Classroom facilities maintenance	386,150
Debt service.	187,050
Locally funded programs	1,167
State funded programs.	39,623
Federally funded programs	44,669
Student activities	46,734
Other purposes	6,884
Unrestricted	972,988
 Total net assets	 \$ 7,794,400

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 4,566,808	\$ 551,150	\$ 262,419	\$ (3,753,239)
Special	1,198,719	82,285	810,284	(306,150)
Vocational	156,250	-	22,601	(133,649)
Other	114,044	-	-	(114,044)
Support services:				
Pupil.	299,093	-	50,701	(248,392)
Instructional staff	388,659	-	170,167	(218,492)
Board of education	12,914	-	-	(12,914)
Administration.	869,849	-	25,457	(844,392)
Fiscal.	217,277	-	6,738	(210,539)
Operations and maintenance	885,336	32	985	(884,319)
Pupil transportation.	180,630	-	-	(180,630)
Central	64,129	-	823	(63,306)
Operation of non-instructional services:				
Other non-instructional services	769	-	868	99
Food service operations	429,180	65,819	288,187	(75,174)
Extracurricular activities.	232,880	89,742	5,275	(137,863)
Interest and fiscal charges	55,984	-	-	(55,984)
Totals	<u>\$ 9,672,521</u>	<u>\$ 789,028</u>	<u>\$ 1,644,505</u>	<u>(7,238,988)</u>

General Revenues:

Property taxes levied for:	
General purposes.	757,143
Capital projects.	114,701
Debt service	95,605
Special revenue.	14,652
Grants and entitlements not restricted to specific programs	5,719,276
Investment earnings	29,861
Miscellaneous.	3,575
Total general revenues.	<u>6,734,813</u>
Change in net assets.	(504,175)
Net assets at beginning of year.	<u>8,298,575</u>
Net assets at end of year	<u><u>\$ 7,794,400</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 1,920,877	\$ 583,179	\$ 798,445	\$ 3,302,501
Receivables:				
Taxes	1,100,865	165,938	160,505	1,427,308
Accounts	840	-	1,149	1,989
Intergovernmental.	39,824	-	229,763	269,587
Prepayments.	16,455	-	-	16,455
Materials and supplies inventory	-	-	3,587	3,587
Due from other funds	93,213	-	-	93,213
Restricted assets:				
Equity in pooled cash and cash equivalents	6,884	-	-	6,884
Total assets	<u>\$ 3,178,958</u>	<u>\$ 749,117</u>	<u>\$ 1,193,449</u>	<u>\$ 5,121,524</u>
Liabilities:				
Accounts payable	\$ 12,842	\$ 11,619	\$ 6,064	\$ 30,525
Accrued wages and benefits.	543,431	-	84,618	628,049
Compensated absences payable	99,893	-	-	99,893
Pension obligation payable	137,766	-	19,789	157,555
Intergovernmental payable	16,256	-	2,426	18,682
Due to other funds	-	-	93,213	93,213
Deferred revenue	203,589	25,338	68,183	297,110
Unearned revenue.	916,022	137,405	132,845	1,186,272
Total liabilities.	<u>1,929,799</u>	<u>174,362</u>	<u>407,138</u>	<u>2,511,299</u>
Fund Balances:				
Nonspendable:				
Materials and supplies inventory.	-	-	3,587	3,587
Prepayments	16,455	-	-	16,455
Restricted:				
Debt service	-	-	168,667	168,667
Capital improvements	-	80,440	162,513	242,953
Classroom facilities maintenance	-	-	382,893	382,893
Public school preschool	-	-	284	284
Targeted academic assistance	-	-	20,560	20,560
Other purposes.	-	-	41,213	41,213
Extracurricular.	-	-	46,734	46,734
School bus purchase	6,884	-	-	6,884
Committed:				
Capital improvements	-	494,315	-	494,315
Underground storage tank	11,000	-	-	11,000
Assigned:				
Student instruction	22,806	-	-	22,806
Student and staff support.	47,556	-	-	47,556
Extracurricular activities	55	-	-	55
Subsequent year appropriations.	1,141,662	-	-	1,141,662
Adult education.	2,741	-	-	2,741
Unassigned (deficit)	-	-	(40,140)	(40,140)
Total fund balances	<u>1,249,159</u>	<u>574,755</u>	<u>786,311</u>	<u>2,610,225</u>
Total liabilities and fund balances	<u>\$ 3,178,958</u>	<u>\$ 749,117</u>	<u>\$ 1,193,449</u>	<u>\$ 5,121,524</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2012

Total governmental fund balances		\$	2,610,225
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			6,408,112
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	213,608	
Intergovernmental receivable		83,502	
Total		83,502	297,110
Unamortized bond issuance costs are not recognized in the funds.			9,619
Unamortized premiums on bond issuances are not recognized in the funds.			(52,328)
Unamortized amounts on refundings are not recognized in the funds.			41,126
On the statement of net assets, interest is accrued on outstanding bonds, whereas in governmental funds, interest is reported when due.			(2,865)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(916,488)	
Energy conservation loan		(180,000)	
Compensated absences		(420,111)	
Total		(1,516,599)	(1,516,599)
Net assets of governmental activities		\$	7,794,400

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 799,469	\$ 121,172	\$ 116,004	\$ 1,036,645
Tuition	632,429	-	-	632,429
Earnings on investments	29,861	-	-	29,861
Charges for services	-	-	65,851	65,851
Extracurricular	11,856	-	77,886	89,742
Classroom materials and fees	1,006	-	-	1,006
Contributions and donations	1,622	-	3,004	4,626
Other local revenues	1,953	796	2,521	5,270
Intergovernmental - State	6,108,586	24,149	184,589	6,317,324
Intergovernmental - federal	-	-	1,047,995	1,047,995
Total revenues	<u>7,586,782</u>	<u>146,117</u>	<u>1,497,850</u>	<u>9,230,749</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,916,156	14,564	325,742	4,256,462
Special	987,092	-	246,588	1,233,680
Vocational	156,250	-	-	156,250
Other	114,044	-	-	114,044
Support services:				
Pupil	251,038	-	47,677	298,715
Instructional staff	216,310	-	171,873	388,183
Board of education	12,914	-	-	12,914
Administration	829,561	-	26,387	855,948
Fiscal	216,519	450	6,326	223,295
Operations and maintenance	811,700	3,201	250	815,151
Pupil transportation	159,813	-	-	159,813
Central	61,189	-	725	61,914
Operation of non-instructional services:				
Other non-instructional services	-	-	762	762
Food service operations	-	-	417,245	417,245
Extracurricular activities	178,650	-	61,599	240,249
Facilities acquisition and construction	-	296,357	-	296,357
Debt service:				
Principal retirement	-	-	110,000	110,000
Interest and fiscal charges	-	-	46,434	46,434
Total expenditures	<u>7,911,236</u>	<u>314,572</u>	<u>1,461,608</u>	<u>9,687,416</u>
Net change in fund balances	(324,454)	(168,455)	36,242	(456,667)
Fund balances at beginning of year	<u>1,573,613</u>	<u>743,210</u>	<u>750,069</u>	<u>3,066,892</u>
Fund balances at end of year	<u>\$ 1,249,159</u>	<u>\$ 574,755</u>	<u>\$ 786,311</u>	<u>\$ 2,610,225</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds	\$	(456,667)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.		
Capital asset additions	\$ 393,320	
Current year depreciation	<u>(508,528)</u>	
Total		(115,208)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(3,380)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(54,544)	
Intergovernmental	<u>(7,855)</u>	
Total		(62,399)
Repayment of loan and bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		110,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	333	
Accreted interest on capital appreciation bonds	(10,071)	
Amortization of deferred charges	(4,886)	
Amortization of bond premiums	6,217	
Amortization of bond issuance costs	<u>(1,143)</u>	
Total		(9,550)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>33,029</u>
Change in net assets of governmental activities	\$	<u><u>(504,175)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 991,761	\$ 884,649	\$ 808,910	\$ (75,739)
Tuition	660,385	589,062	632,429	43,367
Earnings on investments	31,181	27,813	29,861	2,048
Classroom materials and fees	1,050	937	1,006	69
Contributions and donations	143	128	137	9
Other local revenues	831	741	795	54
Intergovernmental - State	6,378,612	5,689,704	6,108,584	418,880
Total revenues	8,063,963	7,193,034	7,581,722	388,688
Expenditures:				
Current:				
Instruction:				
Regular	7,901,262	4,887,987	3,979,699	908,288
Special	1,057,338	1,236,032	994,634	241,398
Vocational	192,088	179,825	155,286	24,539
Other	184,198	150,000	109,324	40,676
Support services:				
Pupil	121,755	348,507	250,998	97,509
Instructional staff	135,877	229,750	221,091	8,659
Board of education	19,260	15,684	13,137	2,547
Administration	612,345	1,607,165	835,445	771,720
Fiscal	125,562	219,150	225,643	(6,493)
Operations and maintenance	547,224	936,100	888,013	48,087
Pupil transportation	68,814	194,838	188,514	6,324
Central	82,597	67,862	60,707	7,155
Extracurricular activities	108,499	212,990	178,153	34,837
Total expenditures	11,156,819	10,285,890	8,100,644	2,185,246
 Net change in fund balance	 (3,092,856)	 (3,092,856)	 (518,922)	 2,573,934
 Fund balance at beginning of year	 2,433,831	 2,433,831	 2,433,831	 -
Prior year encumbrances appropriated	18,606	18,606	18,606	-
Fund balance (deficit) at end of year	\$ (640,419)	\$ (640,419)	\$ 1,933,515	\$ 2,573,934

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2012

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 262,157	\$ 29,644
Receivables:		
Accounts	-	688
Total assets	262,157	\$ 30,332
Liabilities:		
Accounts payable	-	\$ 918
Due to students	-	29,414
Total liabilities	-	\$ 30,332
Net assets:		
Held in trust for scholarships	262,157	
Total net assets	\$ 262,157	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 5,255
Gifts and contributions	9,571
Total additions	14,826
 Deductions:	
Scholarships awarded	8,600
Change in net assets	6,226
Net assets at beginning of year	255,931
Net assets at end of year	\$ 262,157

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Wellsville Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Wellsville Local School District is a local school district as defined by §3311.22 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's seven instructional/support facilities staffed by 36 non-certified and 66 certified full-time teaching personnel who provide services to 856 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Reporting Entity

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

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)

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

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

JOINTLY GOVERNED ORGANIZATIONS

Area Cooperative Computerized Educational Service System (ACCESS)

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

Columbiana County Career Center

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

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Program

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

B. Fund Accounting

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)

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

GOVERNMENTAL FUNDS

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

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

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

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

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)

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

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

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

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

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

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

D. Basis of Accounting

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

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period, including delinquent property taxes due at June 30, 2012, are recorded as deferred revenue.

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

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)

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

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control is at the function level within the general fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by the Board of Education. Budgetary allocations at the object level within the general fund and the function and object level in all other funds are made by the Treasurer.

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

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

F. Cash and Investments

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

During fiscal year 2012, investments were limited to investments in nonnegotiable certificates of deposit (CD's) and the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio investments are reported at fair value which is based on quoted market prices. Certificates of deposit are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2012. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price at which the District's investment in STAR Ohio could be sold on June 30, 2012.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)

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

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$29,861, which includes \$11,495 assigned from other District funds.

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

G. Inventory

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

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

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

H. Restricted Assets

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

I. Capital Assets

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

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)

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

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

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

J. Interfund Balances

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

K. Compensated Absences

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

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)

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

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

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

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

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

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

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

N. Net Assets

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

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)

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

O. Fund Balance

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

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

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

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

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

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

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)

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

P. Prepayments

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

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

Q. Interfund Activity

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

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

R. Estimates

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

S. Budget Stabilization Arrangement

The District has established a budget stabilization reserve in accordance with authority established by State law. Additions to the stabilization reserve can only be made by formal resolution of the Board of Education. Expenditures out of the budget stabilization reserve can only be made to offset future budget deficits. At June 30, 2012, the balance in the budget stabilization reserve was \$70,567. This amount is included in the assigned balance of the general fund and in unrestricted net assets on the statement of net assets.

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2012.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2012 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 30,127
IDEA Part-B special education	2,974
Stimulus Title II-D	1,105
Improving teacher quality	2,347

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Deposits with Financial Institutions

At June 30, 2012, the carrying amount of all District deposits, including \$2,422,935 in nonnegotiable certificates of deposit, was \$3,593,574. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2012, \$257,514 of the District’s bank balance of \$3,615,863 was exposed to custodial risk as discussed below, while \$3,358,349 was covered by the FDIC.

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

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

B. Investments

As of June 30, 2012, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	\$ 7,612	\$ 7,612

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The portfolio held by StarOhio carries a rating of AAAM by Standards & Poor's. The following table includes the percentage of each investment type held by the District at June 30, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 7,612	100.00

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,593,574
Investments	<u>7,612</u>
Total	<u>\$ 3,601,186</u>
<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 3,309,385
Private-purpose trust funds	262,157
Agency funds	<u>29,644</u>
Total	<u>\$ 3,601,186</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2012, as reported on the fund statements, consist of the following amounts due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 93,213</u>

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Columbiana County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available as an advance at June 30, 2012 was \$21,078 in the general fund, \$2,747 in the debt service fund (a nonmajor governmental fund), \$3,195 in the permanent improvement fund and \$408 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2011 was \$30,518 in the general fund, \$3,984 in the debt service fund (a nonmajor governmental fund), \$4,641 in the permanent improvement fund and \$592 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property which are measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)

NOTE 6 - PROPERTY TAXES - (Continued)

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

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 43,663,420	93.83	\$ 43,458,940	93.69
Public utility personal	<u>2,873,230</u>	<u>6.17</u>	<u>2,926,510</u>	<u>6.31</u>
Total	<u>\$ 46,536,650</u>	<u>100.00</u>	<u>\$ 46,385,450</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$38.65		\$38.65	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2012, consisted of property taxes, accounts (rent and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of receivables follows:

Governmental activities:	
Taxes	\$ 1,427,308
Accounts	1,989
Intergovernmental	<u>269,587</u>
Total	<u>\$ 1,698,884</u>

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance			Balance
	<u>June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2012</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 291,858	\$ 20,198	\$ -	\$ 312,056
Construction in progress	<u>24,900</u>	<u>-</u>	<u>(24,900)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>316,758</u>	<u>20,198</u>	<u>(24,900)</u>	<u>312,056</u>
Capital assets, being depreciated:				
Land improvements	603,138	398,022	-	1,001,160
Building and improvements	10,293,427	-	(30,389)	10,263,038
Furniture and equipment	782,478	-	-	782,478
Vehicles	<u>347,160</u>	<u>-</u>	<u>-</u>	<u>347,160</u>
Total capital assets, being depreciated	<u>12,026,203</u>	<u>398,022</u>	<u>(30,389)</u>	<u>12,393,836</u>
Less: accumulated depreciation				
Land improvements	(389,891)	(161,811)	-	(551,702)
Building and improvements	(4,622,229)	(290,369)	27,009	(4,885,589)
Furniture and equipment	(606,367)	(32,986)	-	(639,353)
Vehicles	<u>(197,774)</u>	<u>(23,362)</u>	<u>-</u>	<u>(221,136)</u>
Total accumulated depreciation	<u>(5,816,261)</u>	<u>(508,528)</u>	<u>27,009</u>	<u>(6,297,780)</u>
Governmental activities capital assets, net	<u>\$ 6,526,700</u>	<u>\$ (90,308)</u>	<u>\$ (28,280)</u>	<u>\$ 6,408,112</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 307,617
Special	3,190
Support services:	
Fiscal	833
Operations and maintenance	24,781
Pupil transportation	19,873
Food service operations	9,903
Extracurricular activities	<u>142,331</u>
Total depreciation expense	<u>\$ 508,528</u>

**WELLSVILLE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)

NOTE 9 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2012, the following changes occurred in governmental activities long-term obligations:

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
Governmental activities:					
Series 2007 refunding bonds	\$ 996,417	\$ 10,071	\$ (90,000)	\$ 916,488	\$ 90,000
Energy conservation loan	200,000	-	(20,000)	180,000	20,000
Compensated absences	<u>525,698</u>	<u>117,015</u>	<u>(122,709)</u>	<u>520,004</u>	<u>104,968</u>
Total long-term obligations, governmental activities	<u>\$ 1,722,115</u>	<u>\$ 127,086</u>	<u>\$ (232,709)</u>	1,616,492	<u>\$ 214,968</u>
			Less: Deferred charge on refunding	(41,126)	
			Add: Unamortized premium	<u>52,328</u>	
				<u>\$ 1,627,694</u>	

Compensated absences will be paid from the fund from which the employee is paid; these are primarily the general fund and the food service fund (a nonmajor governmental fund).

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

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

<u>Year Ended</u>	<u>Energy Conservation Loan</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 20,000	\$ 9,311	\$ 29,311
2014	25,000	8,335	33,335
2015	25,000	7,115	32,115
2016	25,000	5,864	30,864
2017	25,000	4,583	29,583
2018 - 2019	<u>60,000</u>	<u>4,950</u>	<u>64,950</u>
Total	<u>\$ 180,000</u>	<u>\$ 40,158</u>	<u>\$ 220,158</u>

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

C. Refunding Bonds - Series 2007

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

The refunding issue is comprised of both current interest bonds, par value \$970,000 and capital appreciation bonds, par value \$25,000. The capital appreciation bonds mature December 1, 2014, (effective interest rate 4.0%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$100,000. Total accreted interest of \$36,488 has been included in the statement of net assets at June 30, 2012.

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

	Balance			Balance	Amounts
	<u>June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2012</u>	<u>Due in</u>
					<u>One Year</u>
Series 2007, refunding current interest bonds 12/01/16 maturity	\$ 945,000	\$ -	\$ (90,000)	\$ 855,000	\$ 90,000
Series 2007, refunding capital appreciation bonds 4.0% (effective interest), 12/1/14 maturity	25,000	-	-	25,000	-
Series 2007, refunding capital appreciation bonds accreted interest	<u>26,417</u>	<u>10,071</u>	<u>-</u>	<u>36,488</u>	<u>-</u>
Total	<u>\$ 996,417</u>	<u>\$ 10,071</u>	<u>\$ (90,000)</u>	<u>\$ 916,488</u>	<u>\$ 90,000</u>

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

Fiscal Year Ending June 30,	Current Interest Bonds Refunding Bonds (Series 2007)			Capital Appreciation Bonds Refunding Bonds (Series 2007)		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 90,000	\$ 32,578	\$ 122,578	\$ -	\$ -	\$ -
2014	95,000	28,878	123,878	-	-	-
2015	-	26,978	26,978	25,000	75,000	100,000
2016	100,000	24,978	124,978	-	-	-
2017	105,000	20,878	125,878	-	-	-
2018 - 2021	465,000	38,347	503,347	-	-	-
Total	<u>\$ 855,000</u>	<u>\$ 172,637</u>	<u>\$ 1,027,637</u>	<u>\$ 25,000</u>	<u>\$ 75,000</u>	<u>\$ 100,000</u>

E. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2012, are a voted debt margin of \$3,463,358 (including available funds of \$168,667) and an unvoted debt margin of \$46,385.

NOTE 10 - COMPENSATED ABSENCES

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 300 days for classified employees and 300 days for certificated employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 70 days in 2012 for classified employees and maximum of 68 days in 2012 for certified employees.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)

NOTE 10 - COMPENSATED ABSENCES - (Continued)

During fiscal year 2012, the District offered a \$1,000 retirement incentive to eligible classified employees and a \$7,500 retirement incentive to certified employees. Three certified employees accepted the incentive during the year. This is reflected in the balance of compensated absences in the general fund and in the balance of long-term liabilities due within one year on the statement of net assets.

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the District's insurance coverage through Ohio Casualty Insurance Corporation was as follows:

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

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

B. Workers' Compensation Program

For fiscal year 2012, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 2). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniService, Inc. provides administrative, cost control and actuarial services to the GRP.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$126,139, \$115,452 and \$122,916, respectively; 66.10 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System of Ohio

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

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)

NOTE 12 - PENSION PLANS - (Continued)

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

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$457,267, \$485,675 and \$483,501, respectively; 82.07 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$19,062 made by the District and \$13,616 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$19,312, \$28,209 and \$18,245, respectively; 66.10 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$7,449, \$7,430 and \$7,310, respectively; 66.10 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$35,174, \$37,360 and \$37,192, respectively; 82.07 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)

NOTE 14 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2011	\$ -
Current year set-aside requirement	147,894
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	(1,127)
Excess qualified expenditures from prior years	-
Current year offsets	(146,767)
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2013	<u>\$ -</u>
Set-aside balance June 30, 2012	<u>\$ -</u>

The District had offsets during the fiscal year that reduced the set-aside amount to zero for the capital improvements set-aside. During fiscal year 1998, the District issued \$1,709,000 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition set-aside to zero for future years. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$1,418,429 at June 30, 2012.

A schedule of the restricted assets at June 30, 2012 follows:

Amount restricted for school bus purchases	<u>\$ 6,884</u>
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**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (518,922)
Net adjustment for revenue accruals	(8,670)
Net adjustment for expenditure accruals	130,770
Funds budgeted elsewhere	715
Adjustment for encumbrances	<u>71,653</u>
GAAP basis	<u>\$ (324,454)</u>

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(CONTINUED)

NOTE 16 - CONTINGENCIES

Grants and Enrollment

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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. This also encompasses the Auditor of State's ongoing review of student attendance data; however, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

NOTE 17 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 68,510
Permanent improvement	7,345
Other governmental	<u>45,287</u>
Total	<u>\$ 121,142</u>

**WELLSVILLE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
JUNE 30, 2012**

Federal Grantor/ Pass Through Grantor Program Title	Pass-Through Entity No.	Federal CFDA No.	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster				
Non Cash Assistance:				
National School Lunch Program		10.555	\$24,062	\$24,062
Cash Assistance:				
National School Lunch Program	04-PU-12	10.555	194,657	194,657
National School Breakfast Program	05-PU-12	10.553	69,727	69,727
Cash Assistance Subtotal			<u>264,384</u>	<u>264,384</u>
Total U.S. Department of Agriculture - Nutrition Cluster (Cash and Non-Cash)			288,446	288,446
U.S. Department of Education				
<i>Passed Through Ohio Department of Education:</i>				
Title I - Grants to Local Educational Agencies (ESEA Title I)	C1-S1-2011	84.010	30,746	42,380
ARRA - Title 1	C1-S1-2012	84.389	259,122	314,377
			<u>46,519</u>	<u>23,159</u>
Total Title I - Grants to Local Education Agencies			336,387	379,916
Special Education Cluster:				
Special Education Grants to States (IDEA Part B)				
	6B-SF-2011	84.027	38,119	22,725
ARRA - Special Education+A1	6B-SF-2012	84.391	153,664	176,559
			<u>27,348</u>	<u>6,010</u>
Total Special Education Cluster			219,131	205,294
Title II-A Improving Teacher Quality Program				
	TR-S1-2011	84.367	10,606	10,555
	TR-S1-2012		<u>57,915</u>	<u>60,638</u>
Total Title II-A Improving Teacher Quality Program			68,521	71,193
Education Technology State Grants Title II-D				
	TJ-S1-2012	84.318	1,200	1,000
Rural and Low Income Title VIB				
	2011	84.358	2,095	0
	2012		<u>8,180</u>	<u>20,578</u>
Total Rural and Low Income Title VIB			10,275	20,578
ARRA Budget Stabilization				
	2012	84.394	0	25,706
Education Jobs				
		84.410	<u>101,586</u>	<u>92,553</u>
Total Department of Education			<u>737,100</u>	<u>796,240</u>
Total Federal Awards			<u>\$1,025,546</u>	<u>\$1,084,686</u>

See the notes to the Federal Awards Receipts and Expenditures Schedule.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
JUNE 30, 2012**

A. SIGNIFICANT ACCOUNTING POLICIES

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

B. CHILD NUTRITION CLUSTER

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

C. FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities. At June 30, 2012, the District had no significant food commodities in inventory.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Wellsville Local School District, Columbiana County, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 12, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 12, 2013.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

March 12, 2013



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Wellsville Local School District, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Wellsville Local School District's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Wellsville Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

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

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 12, 2013.

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



Dave Yost
Auditor of State

March 12, 2013

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control 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(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I 84.010, Nutrition Cluster 10.555 and 10.553
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3.FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	ORC 5705.41 (B)	No	Reissued as a verbal comment
2011-02	34 CFR 80.20 (b) (7) - Cash Management	Yes	

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Dave Yost • Auditor of State

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
APRIL 2, 2013