



Dave Yost • Auditor of State



**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

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, 2013, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 3 to the financial statements, during the year ended June 30, 2013, the District adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

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

*Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

May 15, 2014

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(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, 2013. 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 2013 are as follows:

- In total, net position of governmental activities decreased \$769,868, which represents a 9.89% decrease from restated net position at June 30, 2012.
- General revenues accounted for \$6,625,161 in revenue or 73.52% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,386,318 or 26.48% of total revenues of \$9,011,479.
- The District had \$9,781,347 in expenses related to governmental activities; only \$2,386,318 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 \$6,625,161 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 \$7,463,749 in revenues and \$8,128,544 in expenditures and other financing uses. During fiscal year 2013, the general fund's fund balance decreased \$664,795 from a balance of \$1,249,159 to a balance of \$584,364.
- The permanent improvement fund had \$147,723 in revenues and \$119,203 in expenditures. During fiscal year 2013, the permanent improvement fund's fund balance increased \$28,520 from \$574,755 to \$603,275.

**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 position 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 the permanent improvement fund are by far the most significant funds and the only governmental funds reported as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

**Reporting the District as a Whole**

***Statement of Net Position 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 2013?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. The change in net position 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 position 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 position and statement of activities can be found on pages 15-16 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 11. 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 the modified accrual basis of 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 position 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 17-21 of this report.

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented in the District's private-purpose trust funds. 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 position and changes in fiduciary net position on pages 22 and 23. These activities are excluded from the District's other financial statements because the resources cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

***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 25-54 of this report.

**The District as a Whole**

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

The table below provides a summary of the District's net position for 2013 and 2012. In accordance with GASB Statement No. 65, balances at June 30, 2012 have been restated to exclude unamortized bond issuance costs of \$9,619 from assets and the District's net investment in capital assets as previously reported, to reclassify deferred charges from the refunding of debt from a reduction of long-term liabilities to be presented as a deferred outflow of resources, and to reclassify property taxes levied for the subsequent year from a current liability to a deferred inflow of resources.

|  | <b>Net Position</b>                |  |
|--|------------------------------------|--|
|  | Governmental<br>Activities<br>2013 | Restated<br>Governmental<br>Activities<br>2012 |
|  | <u>2013</u>                        | <u>2012</u>                                    |
| <b><u>Assets</u></b>                         |                                    |  |
| Current and other assets                     | \$ 4,317,882                       | \$ 5,028,311                                   |
| Capital assets, net                          | <u>6,146,811</u>                   | <u>6,408,112</u>                               |
| Total assets                                 | <u>10,464,693</u>                  | <u>11,436,423</u>                              |
| <b><u>Deferred Outflows of Resources</u></b> | <u>36,240</u>                      | <u>41,126</u>                                  |
| <b><u>Liabilities</u></b>                    |                                    |  |
| Current liabilities                          | 898,313                            | 837,676  |
| Long-term liabilities                        | <u>1,477,466</u>                   | <u>1,668,820</u>                               |
| Total liabilities                            | <u>2,375,779</u>                   | <u>2,506,496</u>                               |
| <b><u>Deferred Inflows of Resources</u></b>  | <u>1,110,241</u>                   | <u>1,186,272</u>                               |
| <b><u>Net Position</u></b>                   |                                    |  |
| Net investment in capital assets             | 5,186,941                          | 5,336,910                                      |
| Restricted                                   | 821,436                            | 1,474,883                                      |
| Unrestricted                                 | <u>1,006,536</u>                   | <u>972,988</u>                                 |
| Total net position                           | <u>\$ 7,014,913</u>                | <u>\$ 7,784,781</u>                            |

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$7,014,913. At year-end, restricted net position was \$821,436.

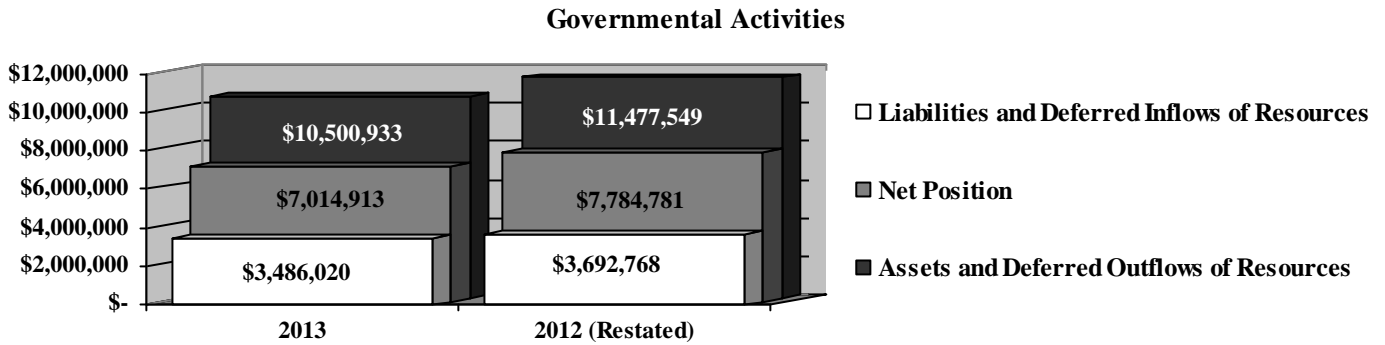
**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

At year-end, capital assets represented 58.74% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. The District's net investment in capital assets at June 30, 2013 was \$5,186,941. These capital assets are used to provide services to the students and are not available for future spending. Although the District's net 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 position, \$821,436, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is \$1,006,536.

The graph below shows the District's assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position at June 30, 2013 and 2012. In accordance with GASB Statement No. 65, balances for fiscal year 2012 have been restated to exclude unamortized bond issuance costs from assets and net position at June 30, 2012, and to reclassify unamortized deferred charges on the District's debt refunding from a reduction of liabilities to a deferred outflow of resources.



**Governmental Activities**

Net position of the District's governmental activities decreased \$769,868 from restated net position at June 30, 2012. Total governmental expenses of \$9,781,347 were offset by program revenues of \$2,386,318 and general revenues of \$6,625,161. Program revenues supported 24.40% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 73.26% of total governmental revenue. Tax revenues increased 9.15% from fiscal year 2012 due to higher delinquent taxes due to the District at June 30, 2013 and higher advances available from the Columbiana County Auditor. Real estate property is reappraised every six years. Charges for services revenues decreased 6.59% due to lower tuition revenue offsetting special instruction, lower food service charges to students, and lower extracurricular activities revenues during the year. Further, interest revenue from the District's deposits and investments decreased 64.41% due to lower interest rates and earnings on the District's deposits. In total, the District's expenses increased 1.13% from restated expenses for fiscal year 2012.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

The table below shows changes in net position for fiscal year 2013 compared to fiscal year 2012. In accordance with GASB Statement No. 65, net position as previously reported and interest and fiscal charges for 2012 have been restated to exclude the capitalization and amortization of bond issuance costs.

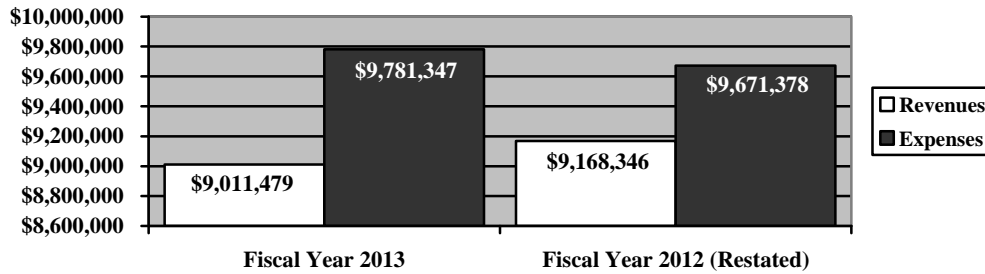
|  | <b>Change in Net Position</b>             |   |
|--|---|---|
|  | Governmental<br>Activities<br><u>2013</u> | Restated<br>Governmental<br>Activities<br><u>2012</u> |
| <b><u>Revenues</u></b>                       |   |   |
| Program revenues:                            |   |   |
| Charges for services and sales               | \$ 737,057                                | \$ 789,028  |
| Operating grants and contributions           | 1,649,261                                 | 1,644,505   |
| General revenues:                            |   |   |
| Property taxes                               | 1,071,988                                 | 982,101   |
| Grants and entitlements                      | 5,529,386                                 | 5,719,276   |
| Investment earnings                          | 10,628                                    | 29,861  |
| Miscellaneous                                | <u>13,159</u>                             | <u>3,575</u>  |
| Total revenues                               | <u>9,011,479</u>                          | <u>9,168,346</u>                                      |
| <b><u>Expenses</u></b>                       |   |   |
| Program expenses:                            |   |   |
| Instruction:                                 |   |   |
| Regular                                      | 4,703,124                                 | 4,566,808   |
| Special                                      | 1,105,297                                 | 1,198,719   |
| Vocational                                   | 180,020                                   | 156,250   |
| Other  | 50,723                                    | 114,044   |
| Support services:                            |   |   |
| Pupil  | 348,544                                   | 299,093   |
| Instructional staff                          | 419,347                                   | 388,659   |
| Board of education                           | 15,327                                    | 12,914  |
| Administration                               | 784,642                                   | 869,849   |
| Fiscal                                       | 250,231                                   | 217,277   |
| Operations and maintenance                   | 891,974                                   | 885,336   |
| Pupil transportation                         | 203,260                                   | 180,630   |
| Central                                      | 64,419                                    | 64,129  |
| Operation of non-instructional services:     |   |   |
| Food service operations                      | 414,058                                   | 429,180   |
| Other non-instructional services             | 4,805                                     | 769   |
| Extracurricular activities                   | 292,120                                   | 232,880   |
| Interest and fiscal charges                  | <u>53,456</u>                             | <u>54,841</u>   |
| Total expenses                               | <u>9,781,347</u>                          | <u>9,671,378</u>                                      |
| Change in net position                       | (769,868)                                 | (503,032)   |
| Net position at beginning of year (restated) | <u>7,784,781</u>                          | <u>8,287,813</u>                                      |
| Net position at end of year                  | <u>\$ 7,014,913</u>                       | <u>\$ 7,784,781</u>                                   |

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2013 and 2012. Expenses for fiscal year 2012 have been restated to exclude the amortization of \$1,143 in bond issuance costs in accordance with GASB Statement No. 65.

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. The total and net cost of interest and fiscal charges for 2012 have been restated to exclude the amortization of \$1,143 in bond issuance costs in accordance with GASB Statement No. 65.

|  | <b>Governmental Activities</b>    |                                 |   |   |
|--|-----------------------------------|---------------------------------|---|---|
|  | Total Cost of<br>Services<br>2013 | Net Cost of<br>Services<br>2013 | Restated<br>Total Cost of<br>Services<br>2012 | Restated<br>Net Cost of<br>Services<br>2012 |
| <b>Program expenses</b>                  |                                   |                                 |   |   |
| Instruction:                             |                                   |                                 |   |   |
| Regular                                  | \$ 4,703,124                      | \$ 3,823,662                    | \$ 4,566,808                                  | \$ 3,753,239                                |
| Special                                  | 1,105,297                         | 347,947                         | 1,198,719                                     | 306,150                                     |
| Vocational                               | 180,020                           | 157,419                         | 156,250                                       | 133,649                                     |
| Other                                    | 50,723                            | 50,723                          | 114,044                                       | 114,044                                     |
| Support services:                        |                                   |                                 |   |   |
| Pupil                                    | 348,544                           | 347,376                         | 299,093                                       | 248,392                                     |
| Instructional staff                      | 419,347                           | 224,165                         | 388,659                                       | 218,492                                     |
| Board of education                       | 15,327                            | 15,327                          | 12,914  | 12,914                                      |
| Administration                           | 784,642                           | 760,767                         | 869,849                                       | 844,392                                     |
| Fiscal                                   | 250,231                           | 246,210                         | 217,277                                       | 210,539                                     |
| Operation and maintenance                | 891,974                           | 889,005                         | 885,336                                       | 884,319                                     |
| Pupil transportation                     | 203,260                           | 203,260                         | 180,630                                       | 180,630                                     |
| Central                                  | 64,419                            | 64,419                          | 64,129  | 63,306                                      |
| Operation of non-instructional services: |                                   |                                 |   |   |
| Food service operations                  | 414,058                           | (4,007)                         | 429,180                                       | 75,174                                      |
| Other non-instructional services         | 4,805                             | 4,805                           | 769   | (99)  |
| Extracurricular activities               | 292,120                           | 210,495                         | 232,880                                       | 137,863                                     |
| Interest and fiscal charges              | 53,456                            | 53,456                          | 54,841  | 54,841                                      |
| <b>Total expenses</b>                    | <u>\$ 9,781,347</u>               | <u>\$ 7,395,029</u>             | <u>\$ 9,671,378</u>                           | <u>\$ 7,237,845</u>                         |

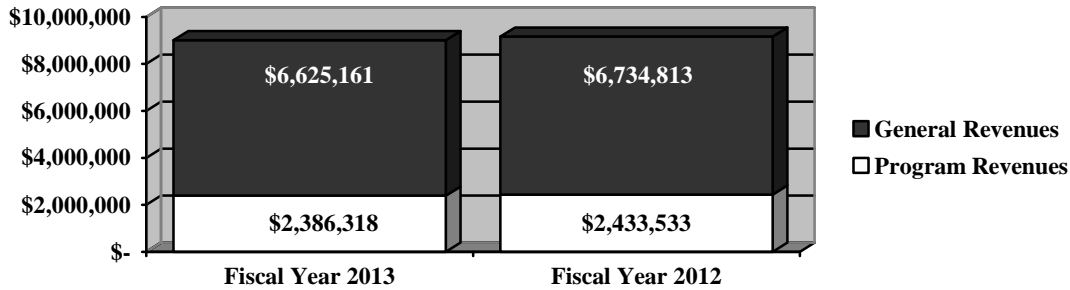
**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent; 72.52% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 75.60%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2013 and 2012.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$1,930,015, which is lower than last year's total of \$2,610,225. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2013 and 2012.

|                       | Fund Balance<br>June 30, 2013 | Fund Balance<br>June 30, 2012 | Increase<br>(Decrease) |
|-----------------------|-------------------------------|-------------------------------|------------------------|
| General               | \$ 584,364                    | \$ 1,249,159                  | \$ (664,795)           |
| Permanent improvement | 603,275                       | 574,755                       | 28,520                 |
| Nonmajor governmental | 742,376                       | 786,311                       | (43,935)               |
| <b>Total</b>          | <b>\$ 1,930,015</b>           | <b>\$ 2,610,225</b>           | <b>\$ (680,210)</b>    |

**General Fund**

The District's general fund balance decreased \$664,795. Tax revenues in the general fund increased 2.60% due to higher advances available at fiscal year-end from the Columbiana County Auditor at June 30, 2013. The amount of property tax advances available at year end can fluctuate based on when the Columbiana County Auditor distributes tax bills. Earnings on the District's depository accounts and investments fell by 64.41% and other revenues increased \$5,034 due to higher private, unrestricted contributions and donations made to the District during fiscal year 2013. Tuition and intergovernmental revenues remained consistent with such revenues in fiscal year 2012.

In total, expenditures of the general fund increased 1.98% due to higher spending for support services and extracurricular activities during the year. Support services expenditures increased due to purchased services and employee wages and benefits. Higher employee salaries also led to a 6.79% increase in extracurricular activities expenditures for academic, athletic, and public service programs for students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

The table that follows assists in illustrating the financial activities of the general fund.

|                            | 2013<br>Amount      | 2012<br>Amount      | Increase<br>(Decrease) | Percentage<br>Change |
|----------------------------|---------------------|---------------------|------------------------|----------------------|
| <b><u>Revenues</u></b>     |                     |                     |                        |                      |
| Taxes                      | \$ 820,224          | \$ 799,469          | \$ 20,755              | 2.60 %               |
| Tuition                    | 628,715             | 632,429             | (3,714)                | (0.59) %             |
| Earnings on investments    | 10,628              | 29,861              | (19,233)               | (64.41) %            |
| Intergovernmental          | 5,982,711           | 6,108,586           | (125,875)              | (2.06) %             |
| Other revenues             | <u>21,471</u>       | <u>16,437</u>       | <u>5,034</u>           | 30.63 %              |
| Total                      | <u>\$ 7,463,749</u> | <u>\$ 7,586,782</u> | <u>\$ (123,033)</u>    | (1.62) %             |
| <b><u>Expenditures</u></b> |                     |                     |                        |                      |
| Instruction                | \$ 5,149,027        | \$ 5,173,542        | \$ (24,515)            | (0.47) %             |
| Support services           | 2,728,258           | 2,559,044           | 169,214                | 6.61 %               |
| Extracurricular activities | <u>190,776</u>      | <u>178,650</u>      | <u>12,126</u>          | 6.79 %               |
| Total                      | <u>\$ 8,068,061</u> | <u>\$ 7,911,236</u> | <u>\$ 156,825</u>      | 1.98 %               |

***Permanent Improvement Fund***

The permanent improvement capital projects fund had \$147,723 in revenues and \$119,203 in expenditures. During fiscal year 2013, the permanent improvement fund's fund balance increased \$28,520 from \$574,755 to a balance of \$603,275.

***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.

For the general fund, original budgeted revenues of \$7,452,025 were increased to \$7,538,017 in the final budget. Actual revenues for fiscal year 2013 were \$7,426,270, which were \$111,747 less than final budgeted revenues.

General fund original budgeted expenditures and other financing uses of \$9,584,520 were increased to \$9,670,512 in the final budget. The actual budget basis expenditures and for fiscal year 2013 totaled \$8,289,803, which were \$1,380,709 less than the final budgeted appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2013, the District had \$6,146,811 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in the governmental activities.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

The following table shows fiscal year 2013 balances compared to 2012.

|                           | <b>Capital Assets at June 30<br/>(Net of Depreciation)</b> |                     |
|---------------------------|--|---------------------|
|                           | <u>Governmental Activities</u>                             |                     |
|                           | <u>2013</u>  | <u>2012</u>         |
| Land                      | \$ 312,056   | \$ 312,056          |
| Land improvements         | 440,228  | 449,458             |
| Building and improvements | 5,098,584  | 5,377,449           |
| Furniture and equipment   | 123,884  | 143,125             |
| Vehicles                  | <u>172,059</u>   | <u>126,024</u>      |
| Total                     | <u>\$ 6,146,811</u>  | <u>\$ 6,408,112</u> |

The overall decrease in capital assets of \$261,301 is due to depreciation expense of \$396,066 exceeding capital outlays of \$134,765. See Note 8 to the basic financial statements for additional information regarding the District's capital assets.

***Debt Administration***

At June 30, 2013, the District had \$999,692 in general obligation bonds and an energy conservation loan outstanding. Of this total, \$120,000 is due within one year and \$879,692 is due in more than one year. The following table summarizes outstanding debt obligations at June 30, 2013 and June 30, 2012.

|                          | <b>Outstanding Debt, at Year End</b>      |   |
|--------------------------|---|---|
|                          | Governmental<br>Activities<br><u>2013</u> | Governmental<br>Activities<br><u>2012</u> |
|                          | Refunding bond issue                      | \$ 839,692                                |
| Energy conservation loan | <u>160,000</u>                            | <u>180,000</u>                            |
| Total                    | <u>\$ 999,692</u>                         | <u>\$ 1,096,488</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 approximately 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 Eva Elliot, who serves as Treasurer, Wellsville Local School District, 929 Center Street, Wellsville, Ohio 43968

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

STATEMENT OF NET POSITION  
JUNE 30, 2013

|   | <b>Governmental<br/>Activities</b> |
|---|------------------------------------|
| <b>Assets:</b>  |                                    |
| Equity in pooled cash and cash equivalents . . . . .    | \$ 2,671,932                       |
| Receivables:  |                                    |
| Property taxes . . . . .                                | 1,394,461                          |
| Accounts . . . . .                                      | 4,776                              |
| Intergovernmental . . . . .                             | 224,456                            |
| Prepayments . . . . .                                   | 18,322                             |
| Materials and supplies inventory . . . . .              | 3,935                              |
| Capital assets:   |                                    |
| Nondepreciable capital assets. . . . .                  | 312,056                            |
| Depreciable capital assets, net . . . . .               | 5,834,755                          |
| Capital assets, net. . . . .                            | <u>6,146,811</u>                   |
| Total assets . . . . .                                  | <u>10,464,693</u>                  |
| <br><b>Deferred outflows of resources:</b>              |                                    |
| Unamortized deferred charges on debt refunding. . .     | 36,240                             |
| Total deferred outflows of resources . . . . .          | <u>36,240</u>                      |
| <br><b>Liabilities:</b>                                 |                                    |
| Accounts payable . . . . .                              | 102,147                            |
| Accrued wages and benefits payable . . . . .            | 641,426                            |
| Pension obligation payable . . . . .                    | 132,567                            |
| Intergovernmental payable . . . . .                     | 19,608                             |
| Accrued interest payable . . . . .                      | 2,565                              |
| Long-term liabilities:                                  |                                    |
| Due within one year . . . . .                           | 172,545                            |
| Due in more than one year. . . . .                      | 1,304,921                          |
| Total liabilities . . . . .                             | <u>2,375,779</u>                   |
| <br><b>Deferred inflows of resources:</b>               |                                    |
| Property taxes levied for the next fiscal year. . . . . | 1,110,241                          |
| Total deferred inflows of resources . . . . .           | <u>1,110,241</u>                   |
| <br><b>Net position:</b>                                |                                    |
| Net investment in capital assets. . . . .               | 5,186,941                          |
| Restricted for:   |                                    |
| Capital projects . . . . .                              | 224,033                            |
| Classroom facilities maintenance. . . . .               | 289,048                            |
| Debt service. . . . .                                   | 169,335                            |
| Locally funded programs . . . . .                       | 1,101                              |
| State funded programs . . . . .                         | 37,326                             |
| Federally funded programs . . . . .                     | 53,631                             |
| Student activities . . . . .                            | 46,962                             |
| Unrestricted. . . . .                                   | 1,006,536                          |
| Total net position . . . . .                            | <u>\$ 7,014,913</u>                |

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, 2013

|   | Expenses            | Program Revenues                  |                                       | Net (Expense)<br>Revenue and<br>Changes in<br>Net Position<br>Governmental<br>Activities |
|---|---------------------|-----------------------------------|---------------------------------------|--|
|   |                     | Charges for<br>Services and Sales | Operating Grants<br>and Contributions |  |
| <b>Governmental activities:</b>                               |                     |                                   |                                       |  |
| Instruction:  |                     |                                   |                                       |  |
| Regular . . . . .   | \$ 4,703,124        | \$ 567,994                        | \$ 311,468                            | \$ (3,823,662)   |
| Special . . . . .   | 1,105,297           | 61,509                            | 695,841                               | (347,947)  |
| Vocational. . . . .   | 180,020             | -                                 | 22,601                                | (157,419)  |
| Other. . . . .  | 50,723              | -                                 | -                                     | (50,723)   |
| Support services:   |                     |                                   |                                       |  |
| Pupil . . . . .   | 348,544             | -                                 | 1,168                                 | (347,376)  |
| Instructional staff . . . . .                                 | 419,347             | -                                 | 195,182                               | (224,165)  |
| Board of education. . . . .                                   | 15,327              | -                                 | -                                     | (15,327)   |
| Administration. . . . .                                       | 784,642             | 7,524                             | 16,351                                | (760,767)  |
| Fiscal. . . . .   | 250,231             | -                                 | 4,021                                 | (246,210)  |
| Operations and maintenance. . . . .                           | 891,974             | 225                               | 2,744                                 | (889,005)  |
| Pupil transportation . . . . .                                | 203,260             | -                                 | -                                     | (203,260)  |
| Central . . . . .   | 64,419              | -                                 | -                                     | (64,419)   |
| Operation of non-instructional services:                      |                     |                                   |                                       |  |
| Food service operations. . . . .                              | 414,058             | 31,723                            | 386,342                               | 4,007  |
| Other non-instructional services . . . . .                    | 4,805               | -                                 | -                                     | (4,805)  |
| Extracurricular activities . . . . .                          | 292,120             | 68,082                            | 13,543                                | (210,495)  |
| Interest and fiscal charges . . . . .                         | 53,456              | -                                 | -                                     | (53,456)   |
| <b>Total governmental activities . . . . .</b>                | <b>\$ 9,781,347</b> | <b>\$ 737,057</b>                 | <b>\$ 1,649,261</b>                   | <b>(7,395,029)</b>   |
| <b>General revenues:</b>                                      |                     |                                   |                                       |  |
| Property taxes levied for:                                    |                     |                                   |                                       |  |
| General purposes . . . . .                                    |                     |                                   |                                       | 828,003  |
| Capital projects . . . . .                                    |                     |                                   |                                       | 124,491  |
| Debt service. . . . .   |                     |                                   |                                       | 103,575  |
| Classroom facilities maintenance. . . . .                     |                     |                                   |                                       | 15,919   |
| Grants and entitlements not restricted                        |                     |                                   |                                       |  |
| to specific programs . . . . .                                |                     |                                   |                                       | 5,529,386  |
| Investment earnings . . . . .                                 |                     |                                   |                                       | 10,628   |
| Miscellaneous . . . . .                                       |                     |                                   |                                       | 13,159   |
| <b>Total general revenues. . . . .</b>                        |                     |                                   |                                       | <b>6,625,161</b>   |
| Change in net position. . . . .                               |                     |                                   |                                       | (769,868)  |
| <b>Net position at beginning of year (restated) . . . . .</b> |                     |                                   |                                       | <b>7,784,781</b>   |
| <b>Net position at end of year. . . . .</b>                   |                     |                                   |                                       | <b>\$ 7,014,913</b>  |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

|  | General             | Permanent<br>Improvement | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|--------------------------|-----------------------------------|--------------------------------|
| <b>Assets:</b>   |                     |                          |                                   |                                |
| Equity in pooled cash and cash equivalents . . . . .                             | \$ 1,237,996        | \$ 603,931               | \$ 830,005                        | \$ 2,671,932                   |
| Receivables:   |                     |                          |                                   |                                |
| Property taxes . . . . .   | 1,114,044           | 143,121                  | 137,296                           | 1,394,461                      |
| Accounts . . . . .   | 1,501               | -                        | 3,275                             | 4,776                          |
| Intergovernmental . . . . .  | 58,838              | -                        | 165,618                           | 224,456                        |
| Prepayments . . . . .  | 18,322              | -                        | -                                 | 18,322                         |
| Materials and supplies inventory . . . . .                                       | -                   | -                        | 3,935                             | 3,935                          |
| Due from other funds . . . . .   | 15,813              | -                        | -                                 | 15,813                         |
| Total assets . . . . .   | <u>\$ 2,446,514</u> | <u>\$ 747,052</u>        | <u>\$ 1,140,129</u>               | <u>\$ 4,333,695</u>            |
| <b>Liabilities:</b>  |                     |                          |                                   |                                |
| Accounts payable . . . . .   | \$ 2,765            | \$ 8,132                 | \$ 91,250                         | \$ 102,147                     |
| Accrued wages and benefits payable . . . . .                                     | 559,575             | -                        | 81,851                            | 641,426                        |
| Compensated absences payable . . . . .   | 49,892              | -                        | -                                 | 49,892                         |
| Intergovernmental payable . . . . .  | 17,510              | -                        | 2,098                             | 19,608                         |
| Pension obligation payable . . . . .   | 116,892             | -                        | 15,675                            | 132,567                        |
| Due to other funds . . . . .   | -                   | -                        | 15,813                            | 15,813                         |
| Total liabilities . . . . .  | <u>746,634</u>      | <u>8,132</u>             | <u>206,687</u>                    | <u>961,453</u>                 |
| <b>Deferred inflows of resources:</b>  |                     |                          |                                   |                                |
| Property taxes levied for the next fiscal year . . . . .                         | 896,452             | 109,224                  | 104,565                           | 1,110,241                      |
| Delinquent property tax revenue not available . . . . .                          | 171,544             | 26,421                   | 25,796                            | 223,761                        |
| Intergovernmental revenue not available . . . . .                                | 43,189              | -                        | 60,705                            | 103,894                        |
| Miscellaneous revenue not available . . . . .                                    | 4,331               | -                        | -                                 | 4,331                          |
| Total deferred inflows of resources . . . . .                                    | <u>1,115,516</u>    | <u>135,645</u>           | <u>191,066</u>                    | <u>1,442,227</u>               |
| <b>Fund balances:</b>  |                     |                          |                                   |                                |
| Nonspendable:  |                     |                          |                                   |                                |
| Materials and supplies inventory . . . . .                                       | -                   | -                        | 3,935                             | 3,935                          |
| Prepayments . . . . .  | 18,322              | -                        | -                                 | 18,322                         |
| Restricted:  |                     |                          |                                   |                                |
| Debt service . . . . .   | -                   | -                        | 199,188                           | 199,188                        |
| Capital improvements . . . . .   | -                   | 35,099                   | 162,513                           | 197,612                        |
| Classroom facilities maintenance . . . . .                                       | -                   | -                        | 285,656                           | 285,656                        |
| Public school preschool . . . . .  | -                   | -                        | 283                               | 283                            |
| Special education . . . . .  | -                   | -                        | 8,430                             | 8,430                          |
| Targeted academic assistance . . . . .   | -                   | -                        | 17,883                            | 17,883                         |
| Extracurricular activities . . . . .   | -                   | -                        | 46,962                            | 46,962                         |
| Other purposes . . . . .   | -                   | -                        | 38,788                            | 38,788                         |
| Committed:   |                     |                          |                                   |                                |
| Capital improvements . . . . .   | -                   | 568,176                  | -                                 | 568,176                        |
| Other purposes . . . . .   | 11,000              | -                        | -                                 | 11,000                         |
| Assigned:  |                     |                          |                                   |                                |
| Student instruction . . . . .  | 27,016              | -                        | -                                 | 27,016                         |
| Student and staff support . . . . .  | 67,859              | -                        | -                                 | 67,859                         |
| Adult education . . . . .  | 2,741               | -                        | -                                 | 2,741                          |
| Extracurricular activities . . . . .   | 50                  | -                        | -                                 | 50                             |
| Subsequent year's appropriations . . . . .                                       | 453,056             | -                        | -                                 | 453,056                        |
| Unassigned (deficit) . . . . .   | 4,320               | -                        | (21,262)                          | (16,942)                       |
| Total fund balances . . . . .  | <u>584,364</u>      | <u>603,275</u>           | <u>742,376</u>                    | <u>1,930,015</u>               |
| Total liabilities, deferred inflows<br>of resources, and fund balances . . . . . | <u>\$ 2,446,514</u> | <u>\$ 747,052</u>        | <u>\$ 1,140,129</u>               | <u>\$ 4,333,695</u>            |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2013

|   |    |             |             |
|---|----|-------------|-------------|
| <b>Total governmental fund balances</b>   |    | \$          | 1,930,015   |
| <i>Amounts reported for governmental activities on the statement of net position are different because:</i>                                   |    |             |             |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.                       |    |             | 6,146,811   |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows of resources in the funds. |    |             |             |
| Property taxes receivable   | \$ | 223,761     |             |
| Accounts receivable   |    | 100         |             |
| Intergovernmental receivable  |    | 108,125     |             |
| Total   |    | 108,125     | 331,986     |
| Unamortized premiums on bonds issued are not recognized in the funds.   |    |             | (46,110)    |
| Unamortized deferred amounts on refundings are not recognized in the governmental funds.  |    |             | 36,240      |
| Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.                             |    |             | (2,565)     |
| 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  |    | (839,692)   |             |
| Energy conservation loan  |    | (160,000)   |             |
| Compensated absences  |    | (381,772)   |             |
| Total   |    | (1,381,464) | (1,381,464) |
| <b>Net position of governmental activities</b>  |    | \$          | 7,014,913   |

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, 2013

|   | <u>General</u>    | <u>Permanent<br/>Improvement</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|-------------------|----------------------------------|--|---|
| <b>Revenues:</b>  |                   |                                  |  |   |
| From local sources:   |                   |                                  |  |   |
| Property taxes . . . . .  | \$ 820,224        | \$ 123,408                       | \$ 118,203                                 | \$ 1,061,835                            |
| Tuition . . . . .   | 628,715           | -                                | -  | 628,715                                 |
| Earnings on investments . . . . .                                   | 10,628            | -                                | -  | 10,628                                  |
| Charges for services . . . . .                                      | -                 | -                                | 31,948                                     | 31,948                                  |
| Extracurricular . . . . .   | 7,524             | -                                | 68,082                                     | 75,606                                  |
| Classroom materials and fees . . . . .                              | 788               | -                                | -  | 788                                     |
| Contributions and donations . . . . .                               | 9,986             | -                                | 11,946                                     | 21,932                                  |
| Other local revenues . . . . .                                      | 3,173             | -                                | 1,597                                      | 4,770                                   |
| Intergovernmental - state . . . . .                                 | 5,982,711         | 24,315                           | 153,658                                    | 6,160,684                               |
| Intergovernmental - federal . . . . .                               | -                 | -                                | 982,840                                    | 982,840                                 |
| Total revenues . . . . .  | <u>7,463,749</u>  | <u>147,723</u>                   | <u>1,368,274</u>                           | <u>8,979,746</u>                        |
| <b>Expenditures:</b>  |                   |                                  |  |   |
| Current:  |                   |                                  |  |   |
| Instruction:  |                   |                                  |  |   |
| Regular . . . . .   | 3,987,238         | 26,174                           | 406,190                                    | 4,419,602                               |
| Special . . . . .   | 931,046           | -                                | 166,186                                    | 1,097,232                               |
| Vocational . . . . .  | 180,020           | -                                | -  | 180,020                                 |
| Other . . . . .   | 50,723            | -                                | -  | 50,723                                  |
| Support services:   |                   |                                  |  |   |
| Pupil . . . . .   | 347,122           | -                                | 1,036                                      | 348,158                                 |
| Instructional staff . . . . .                                       | 244,472           | -                                | 173,909                                    | 418,381                                 |
| Board of education . . . . .  | 15,356            | -                                | -  | 15,356                                  |
| Administration . . . . .  | 791,845           | -                                | 16,101                                     | 807,946                                 |
| Fiscal . . . . .  | 241,235           | 2,066                            | 5,964                                      | 249,265                                 |
| Operations and maintenance . . . . .                                | 836,559           | 13,402                           | 65,527                                     | 915,488                                 |
| Pupil transportation . . . . .                                      | 185,817           | 66,166                           | -  | 251,983                                 |
| Central . . . . .   | 65,852            | -                                | -  | 65,852                                  |
| Operation of non-instructional services:                            |                   |                                  |  |   |
| Food service operations . . . . .                                   | -                 | -                                | 404,498                                    | 404,498                                 |
| Other non-instructional services . . . . .                          | -                 | 4,805                            | -  | 4,805                                   |
| Extracurricular activities . . . . .                                | 190,776           | -                                | 81,397                                     | 272,173                                 |
| Facilities acquisition and construction . . . . .                   | -                 | 6,590                            | -  | 6,590                                   |
| Debt service:   |                   |                                  |  |   |
| Principal retirement . . . . .                                      | -                 | -                                | 110,000                                    | 110,000                                 |
| Interest and fiscal charges . . . . .                               | -                 | -                                | 41,884                                     | 41,884                                  |
| Total expenditures . . . . .  | <u>8,068,061</u>  | <u>119,203</u>                   | <u>1,472,692</u>                           | <u>9,659,956</u>                        |
| Excess (deficiency) of revenues over (under) expenditures . . . . . | <u>(604,312)</u>  | <u>28,520</u>                    | <u>(104,418)</u>                           | <u>(680,210)</u>                        |
| <b>Other financing sources (uses):</b>                              |                   |                                  |  |   |
| Transfers in . . . . .  | -                 | -                                | 60,483                                     | 60,483                                  |
| Transfers (out) . . . . .   | <u>(60,483)</u>   | <u>-</u>                         | <u>-</u>                                   | <u>(60,483)</u>                         |
| Total other financing sources (uses) . . . . .                      | <u>(60,483)</u>   | <u>-</u>                         | <u>60,483</u>                              | <u>-</u>                                |
| Net change in fund balances . . . . .                               | (664,795)         | 28,520                           | (43,935)                                   | (680,210)                               |
| <b>Fund balances at beginning of year . . . . .</b>                 | <u>1,249,159</u>  | <u>574,755</u>                   | <u>786,311</u>                             | <u>2,610,225</u>                        |
| <b>Fund balances at end of year . . . . .</b>                       | <u>\$ 584,364</u> | <u>\$ 603,275</u>                | <u>\$ 742,376</u>                          | <u>\$ 1,930,015</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, 2013

|   |            |                  |
|---|------------|------------------|
| <b>Net change in fund balances - total governmental funds</b>   | \$         | (680,210)        |
| <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.  |            |                  |
| Capital asset additions   | \$ 134,765 |                  |
| Current year depreciation   | (396,066)  |                  |
| Total   |            | (261,301)        |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.  |            |                  |
| Property taxes  | 10,153     |                  |
| Intergovernmental   | 24,623     |                  |
| Miscellaneous   | 100        |                  |
| Total   |            | 34,876           |
| Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.   |            |                  |
| General obligation bonds  | 90,000     |                  |
| Energy conservation loan  | 20,000     |                  |
| Total   |            | 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: |            |                  |
| (Increase) decrease in accrued interest payable   | 300        |                  |
| Accreted interest on capital appreciation bonds   | (13,204)   |                  |
| Amortization of bond premiums   | 6,218      |                  |
| Amortization of deferred charges  | (4,886)    |                  |
| Total   |            | (11,572)         |
| 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 the governmental funds.                                    |            |                  |
|   |            | 38,339           |
| <b>Change in net position of governmental activities</b>  | <b>\$</b>  | <b>(769,868)</b> |

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, 2013

|  | <u>Budgeted Amounts</u> |                     |                     | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-------------------------|---------------------|---------------------|---|
|  | <u>Original</u>         | <u>Final</u>        | <u>Actual</u>       |   |
| <b>Revenues:</b>                                       |                         |                     |                     |   |
| From local sources:                                    |                         |                     |                     |   |
| Property taxes . . . . .                               | \$ 827,152              | \$ 836,697          | \$ 795,254          | \$ (41,443)   |
| Tuition . . . . .                                      | 657,710                 | 665,300             | 628,715             | (36,585)  |
| Earnings on investments . . . . .                      | 11,863                  | 12,000              | 10,133              | (1,867)   |
| Classroom materials and fees . . . . .                 | 1,977                   | 2,000               | 788                 | (1,212)   |
| Contributions and donations . . . . .                  | 6,920                   | 7,000               | 6,637               | (363)   |
| Other local revenues . . . . .                         | 2,471                   | 2,500               | 2,032               | (468)   |
| Intergovernmental - state . . . . .                    | 5,943,932               | 6,012,520           | 5,982,711           | (29,809)  |
| Total revenues . . . . .                               | <u>7,452,025</u>        | <u>7,538,017</u>    | <u>7,426,270</u>    | <u>(111,747)</u>  |
| <b>Expenditures:</b>                                   |                         |                     |                     |   |
| Current:   |                         |                     |                     |   |
| Instruction:   |                         |                     |                     |   |
| Regular . . . . .                                      | 4,927,574               | 4,481,020           | 3,978,586           | 502,434   |
| Special . . . . .                                      | 1,260,062               | 1,206,581           | 951,358             | 255,223   |
| Vocational . . . . .                                   | 181,169                 | 196,378             | 177,701             | 18,677  |
| Other . . . . .  | 52,602                  | 140,764             | 128,528             | 12,236  |
| Support services:                                      |                         |                     |                     |   |
| Pupil . . . . .  | 421,046                 | 443,356             | 356,373             | 86,983  |
| Instructional staff . . . . .                          | 431,334                 | 293,731             | 246,193             | 47,538  |
| Board of education . . . . .                           | 20,213                  | 16,035              | 15,313              | 722   |
| Administration . . . . .                               | 413,630                 | 945,085             | 805,262             | 139,823   |
| Fiscal . . . . .                                       | 232,239                 | 296,705             | 251,079             | 45,626  |
| Operations and maintenance . . . . .                   | 940,078                 | 1,063,392           | 862,704             | 200,688   |
| Pupil transportation . . . . .                         | 150,390                 | 241,977             | 201,247             | 40,730  |
| Central . . . . .                                      | 101,118                 | 70,532              | 67,959              | 2,573   |
| Extracurricular activities . . . . .                   | 392,582                 | 214,473             | 187,017             | 27,456  |
| Total expenditures . . . . .                           | <u>9,524,037</u>        | <u>9,610,029</u>    | <u>8,229,320</u>    | <u>1,380,709</u>  |
| Excess of expenditures over revenues . . . . .         | <u>(2,072,012)</u>      | <u>(2,072,012)</u>  | <u>(803,050)</u>    | <u>1,268,962</u>  |
| <b>Other financing uses:</b>                           |                         |                     |                     |   |
| Transfers out . . . . .                                | (60,483)                | (60,483)            | (60,483)            | -   |
| Total other financing sources uses . . . . .           | <u>(60,483)</u>         | <u>(60,483)</u>     | <u>(60,483)</u>     | <u>-</u>  |
| Net change in fund balance . . . . .                   | (2,132,495)             | (2,132,495)         | (863,533)           | 1,268,962   |
| <b>Fund balance at beginning of year . . . . .</b>     | 1,933,515               | 1,933,515           | 1,933,515           | -   |
| <b>Prior year encumbrances appropriated . . . . .</b>  | 71,653                  | 71,653              | 71,653              | -   |
| <b>Fund balance (deficit) at end of year . . . . .</b> | <u>\$ (127,327)</u>     | <u>\$ (127,327)</u> | <u>\$ 1,141,635</u> | <u>\$ 1,268,962</u>   |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2013

|  | <u>Private-Purpose<br/>Trust</u> |                  |
|--|----------------------------------|------------------|
|  | <u>Scholarship</u>               | <u>Agency</u>    |
| <b>Assets:</b>                                       |                                  |                  |
| Equity in pooled cash and cash equivalents . . . . . | \$ 258,793                       | \$ 40,132        |
| Total assets. . . . .                                | <u>258,793</u>                   | <u>\$ 40,132</u> |
| <b>Liabilities:</b>                                  |                                  |                  |
| Due to students. . . . .                             | -                                | \$ 40,132        |
| Total liabilities . . . . .                          | <u>-</u>                         | <u>\$ 40,132</u> |
| <b>Net position:</b>                                 |                                  |                  |
| Held in trust for scholarships . . . . .             | <u>258,793</u>                   |                  |
| Total net position . . . . .                         | <u>\$ 258,793</u>                |                  |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

|  | <b>Private-Purpose<br/>Trust</b> |
|--|----------------------------------|
|  | <b>Scholarship</b>               |
| <b>Additions:</b>                                  |                                  |
| Interest . . . . .                                 | \$ 5,236                         |
| <br><b>Deductions:</b>                             |                                  |
| Scholarships awarded . . . . .                     | 8,600                            |
| Change in net position . . . . .                   | (3,364)                          |
| <b>Net position at beginning of year . . . . .</b> | <b>262,157</b>                   |
| <b>Net position at end of year . . . . .</b>       | <b>\$ 258,793</b>                |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**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 32 non-certified and 62 certified full-time teaching personnel who provide services to 861 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. 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" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". 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 government's 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, 2013**

**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, 2 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 and Technical Center

The Columbiana County Career and Technical 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 and Technical 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, 2013**

**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 plus deferred outflows of resources and liabilities plus deferred inflows of resources 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 position and changes in net position. 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 funds are private-purpose trust funds which account for scholarship programs 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 position 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, 2013**

**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, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

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, deferred outflows of resources, liabilities, and deferred inflows of resources 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 funds are 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, 2013**

**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.

*Deferred Inflows of Resources and Deferred Outflows of Resources* - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows of resources. Grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2013, are recorded as deferred inflows of resources on the governmental fund financial statements.

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

On the government-wide financial statements, unamortized deferred charges on debt refunding (the difference between the reacquisition price and the carrying amount of the refunded obligation) are reported as a deferred outflow of resources.

*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, 2013**

**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 2013, investments were limited to investments in nonnegotiable certificates of deposit 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. Non-participating investment contracts, such as non-negotiable 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 2013. 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, 2013.

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**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 2013 amounted to \$10,628, which includes \$4,878 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 current assets.

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

**H. 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 position, 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.

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

| <u>Description</u>         | Governmental<br>Activities<br><u>Estimated Lives</u> |
|----------------------------|--|
| Land improvements          | 15 - 30 years  |
| Buildings and improvements | 20 - 50 years  |
| Furniture and equipment    | 5 - 20 years   |
| Vehicles                   | 5 - 15 years   |

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

**I. Interfund Balances**

On the 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 position.

**J. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the 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.

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

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

In general, governmental fund payables and accrued liabilities that once incurred are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, 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.

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

**L. Bond Issuance Costs, Bond Premiums and Discounts, and Accounting Gain or Loss**

On both the government-wide financial statements and the fund financial statements, bond issuance costs are recognized in the period in which these items are incurred.

On the government-wide financial statements, bond premiums and discounts are 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 and bond discounts are presented as a reduction to the face amount of the bonds. On the governmental fund financial statements, bond premiums and discounts are recognized in the period in which these items are incurred. The reconciliation between the face value of bonds and the amount reported on the statement of net position is presented in Note 9.A.

For current and advance refundings resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the refunded debt is amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining term of the old debt or the term of the new debt, whichever is shorter, and is presented on the statement of net position as a deferred inflow of resources or a deferred outflow of resources.

**M. Net Position**

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

**N. 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  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

**O. 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.

**P. 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.

**Q. 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.

**R. 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 2013.

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2013, the District has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections - 2012".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the District.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 Financial Accounting Standards Board and American Institute of Certified Public Accountants pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the District's financial statements to incorporate the concepts of net position, deferred outflows of resources, and deferred inflows of resources.



**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 affected the District's financial statements to present certain items that were previously reported as liabilities as deferred outflows of resources or deferred inflows of resources and had the following effect on net position at July 1, 2012:

|  | Governmental<br>Activities |
|--|----------------------------|
| Net assets as previously reported          | \$ 7,794,400               |
| Removal of unamortized bond issuance costs | (9,619)                    |
| Net position at July 1, 2012               | \$ 7,784,781               |

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2013 included the following individual fund deficits:

| Nonmajor governmental funds: | Deficit   |
|------------------------------|-----------|
| Food service                 | \$ 16,464 |
| Improving teacher quality    | 863       |

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.

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
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, 2013

**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, 2013, the carrying amount of all District deposits, including \$2,247,720 in nonnegotiable certificates of deposit, was \$2,963,240. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of June 30, 2013, \$625,945 of the District's bank balance of \$3,233,248 was exposed to custodial risk as discussed below, while \$2,607,303 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, 2013, the District had the following investment and maturity:

| <u>Investment type</u> | <u>Fair Value</u> | <u>Investment<br/>Maturities<br/>6 months or<br/>less</u> |
|------------------------|-------------------|---|
| STAR Ohio              | \$ 7,617          | \$ 7,617  |

*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, 2013

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Credit Risk:* STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating by at least one nationally recognized standard rating service.

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

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2013:

| Investment type | Fair Value | % of Total |
|-----------------|------------|------------|
| STAR Ohio       | \$ 7,617   | 100.00     |

**C. Reconciliation of Cash and Investments to the Statement of Net Position**

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 position as of June 30, 2013:

|   |              |
|---|--------------|
| <u>Cash and investments per note</u>                          |              |
| Carrying amount of deposits                                   | \$ 2,963,240 |
| Investments   | 7,617        |
| Total   | \$ 2,970,857 |
| <br><u>Cash and investments per statement of net position</u> |              |
| Governmental activities                                       | \$ 2,671,932 |
| Private-purpose trust funds                                   | 258,793      |
| Agency fund   | 40,132       |
| Total   | \$ 2,970,857 |

**NOTE 5 - INTERFUND TRANSACTIONS**

**A. Interfund Balances**

Interfund balances at June 30, 2013, as reported on the fund statements, consist of the following amounts due to/from other funds:

| Receivable fund | Payable fund                | Amount    |
|-----------------|-----------------------------|-----------|
| General fund    | Nonmajor governmental funds | \$ 15,813 |

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**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 position.

**B. Interfund Transfers**

Interfund transfers for the year ended June 30, 2013, consisted of the following, as reported on the fund financial statements:

| <u>Transfers from the general fund to:</u> | <u>Amount</u>    |
|--|------------------|
| Nonmajor governmental funds                | <u>\$ 60,483</u> |

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in compliance with Ohio Revised Code.

**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 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, 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 2013 represent the collection of calendar year 2012 taxes. Public utility real and personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, 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.

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 6 - PROPERTY TAXES - (Continued)**

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, 2013, are available to finance fiscal year 2013 operations. The amounts available as an advance at June 30, 2013 were \$46,048 in the general fund, \$5,959 in the debt service fund (a nonmajor governmental fund), \$7,476 in the permanent improvement fund, and \$976 in the classroom facilities maintenance fund (a nonmajor governmental fund). These amounts are recorded as revenue. The amounts available for advance at June 30, 2012 were \$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). 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 personal property taxes which are measurable as of June 30, 2013 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 a deferred inflow of resources.

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 reported as a deferred inflow of resources.

The assessed values upon which the fiscal year 2013 taxes were collected are as follows:

|   | 2012 Second<br>Half Collections |                | 2013 First<br>Half Collections |                |
|---|---------------------------------|----------------|--------------------------------|----------------|
|   | <u>Amount</u>                   | <u>Percent</u> | <u>Amount</u>                  | <u>Percent</u> |
| Agricultural/residential<br>and other real estate | \$ 43,458,940                   | 93.69          | \$ 43,270,970                  | 93.12          |
| Public utility personal                           | <u>2,926,510</u>                | <u>6.31</u>    | <u>3,197,620</u>               | <u>6.88</u>    |
| Total   | <u>\$ 46,385,450</u>            | <u>100.00</u>  | <u>\$ 46,468,590</u>           | <u>100.00</u>  |
| Tax rate per \$1,000 of<br>assessed valuation     | \$38.65                         |                | \$38.65                        |                |

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2013, consisted of property taxes, accounts, 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.

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 7 – RECEIVABLES - (Continued)**

A summary of the principal items of receivables follows:

Governmental activities:

|                   |                     |
|-------------------|---------------------|
| Property taxes    | \$ 1,394,461        |
| Accounts          | 4,776               |
| Intergovernmental | <u>224,456</u>      |
| Total             | <u>\$ 1,623,693</u> |

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

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

|   | Balance<br>June 30, 2012 | Additions           | Deductions  | Balance<br>June 30, 2013 |
|---|--------------------------|---------------------|-------------|--------------------------|
| <b>Governmental activities:</b>             |                          |                     |             |                          |
| Capital assets, not being depreciated:      |                          |                     |             |                          |
| Land  | \$ 312,056               | \$ -                | \$ -        | \$ 312,056               |
| Total capital assets, not being depreciated | <u>312,056</u>           | <u>-</u>            | <u>-</u>    | <u>312,056</u>           |
| Capital assets, being depreciated:          |                          |                     |             |                          |
| Land improvements                           | 1,001,160                | 36,190              | -           | 1,037,350                |
| Building and improvements                   | 10,263,038               | 11,632              | -           | 10,274,670               |
| Furniture and equipment                     | 782,478                  | 13,893              | -           | 796,371                  |
| Vehicles                                    | <u>347,160</u>           | <u>73,050</u>       | -           | <u>420,210</u>           |
| Total capital assets, being depreciated     | <u>12,393,836</u>        | <u>134,765</u>      | <u>-</u>    | <u>12,528,601</u>        |
| Less: accumulated depreciation              |                          |                     |             |                          |
| Land improvements                           | (551,702)                | (45,420)            | -           | (597,122)                |
| Building and improvements                   | (4,885,589)              | (290,497)           | -           | (5,176,086)              |
| Furniture and equipment                     | (639,353)                | (33,134)            | -           | (672,487)                |
| Vehicles                                    | <u>(221,136)</u>         | <u>(27,015)</u>     | -           | <u>(248,151)</u>         |
| Total accumulated depreciation              | <u>(6,297,780)</u>       | <u>(396,066)</u>    | <u>-</u>    | <u>(6,693,846)</u>       |
| Governmental activities capital assets, net | <u>\$ 6,408,112</u>      | <u>\$ (261,301)</u> | <u>\$ -</u> | <u>\$ 6,146,811</u>      |

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

|                            |                   |
|----------------------------|-------------------|
| Instruction:               |                   |
| Regular                    | \$ 308,535        |
| Special                    | 3,190             |
| Support services:          |                   |
| Fiscal                     | 833               |
| Operations and maintenance | 25,715            |
| Pupil transportation       | 23,526            |
| Food service operations    | 9,465             |
| Extracurricular activities | <u>24,802</u>     |
| Total depreciation expense | <u>\$ 396,066</u> |

**NOTE 9 - LONG-TERM OBLIGATIONS**

A. During the fiscal year 2013, the following changes occurred in governmental activities long-term obligations:

|   | Balance             |                  |                     | Balance             | Amounts           |
|---|---------------------|------------------|---------------------|---------------------|-------------------|
|   | June 30, 2012       | Additions        | Reductions          | June 30, 2013       | Due in            |
|   |                     |                  |                     |                     | One Year          |
| Governmental activities:                                |                     |                  |                     |                     |                   |
| Series 2007 refunding bonds                             | \$ 916,488          | \$ 13,204        | \$ (90,000)         | \$ 839,692          | \$ 95,000         |
| Energy conservation loan                                | 180,000             | -                | (20,000)            | 160,000             | 25,000            |
| Compensated absences                                    | <u>520,004</u>      | <u>47,913</u>    | <u>(136,253)</u>    | <u>431,664</u>      | <u>52,545</u>     |
| Total long-term obligations,<br>governmental activities | <u>\$ 1,616,492</u> | <u>\$ 61,117</u> | <u>\$ (246,253)</u> | 1,431,356           | <u>\$ 172,545</u> |
| Add: Unamortized premium on refunding bonds             |                     |                  |                     | <u>46,110</u>       |                   |
| Total reported on the statement of net position         |                     |                  |                     | <u>\$ 1,477,466</u> |                   |

Compensated absences will be paid from the fund from which the employee is paid; these include the general fund, the food service fund (a nonmajor governmental fund), the IDEA Part-B special education fund (a nonmajor governmental fund), and the Title I fund (a nonmajor governmental fund).



**WELLSVILLE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

**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 2019 and 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:

| Year Ended<br>June 30, | Energy Conservation Loan |                  |                   |
|------------------------|--------------------------|------------------|-------------------|
|                        | Principal                | Interest         | Total             |
| 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                   | 30,000                   | 3,300            | 33,300            |
| 2019                   | 30,000                   | 1,650            | 31,650            |
| Total                  | <u>\$ 160,000</u>        | <u>\$ 30,847</u> | <u>\$ 190,847</u> |

**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 position.

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 \$49,692 has been included in the statement of net position at June 30, 2013.

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

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

|  | Balance<br>June 30, 2012 | Additions        | Reductions         | Balance<br>June 30, 2013 | Amounts<br>Due in<br>One Year |
|--|--------------------------|------------------|--------------------|--------------------------|-------------------------------|
| Series 2007, refunding<br>current interest bonds<br>12/01/16 maturity                                  | \$ 855,000               | \$ -             | \$ (90,000)        | \$ 765,000               | \$ 95,000                     |
| Series 2007, refunding<br>capital appreciation bonds<br>4.0% (effective interest),<br>12/1/14 maturity | 25,000                   | -                | -                  | 25,000                   | -                             |
| Series 2007, refunding<br>capital appreciation bonds<br>accrued interest                               | 36,488                   | 13,204           | -                  | 49,692                   | -                             |
| <b>Total</b>   | <b>\$ 916,488</b>        | <b>\$ 13,204</b> | <b>\$ (90,000)</b> | <b>\$ 839,692</b>        | <b>\$ 95,000</b>              |

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 term of the refunded debt, which is equal to the term of the new debt issued.

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

| Fiscal Year<br>Ending June 30, | Series 2007 refunding bonds |                   |                   |                            |                  |                   |
|--------------------------------|-----------------------------|-------------------|-------------------|----------------------------|------------------|-------------------|
|                                | Current Interest Bonds      |                   |                   | Capital Appreciation Bonds |                  |                   |
|                                | Principal                   | Interest          | Total             | Principal                  | Interest         | Total             |
| 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                           | 110,000                     | 16,578            | 126,578           | -                          | -                | -                 |
| 2019 - 2021                    | 355,000                     | 21,769            | 376,769           | -                          | -                | -                 |
| <b>Total</b>                   | <b>\$ 765,000</b>           | <b>\$ 140,059</b> | <b>\$ 905,059</b> | <b>\$ 25,000</b>           | <b>\$ 75,000</b> | <b>\$ 100,000</b> |

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

**D. 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, 2013, are a voted debt margin of \$3,591,361 (including available funds of \$199,188) and an unvoted debt margin of \$46,469.

**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 71 days in fiscal year 2013 for classified employees and maximum of 68 days in fiscal year 2013 for certified employees.

During fiscal year 2013, the District offered a \$1,000 retirement incentive to eligible classified employees and a \$7,500 retirement incentive to certified employees. Four certified employees accepted the incentive during the year. Payments outstanding at December 31, 2013 are 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 position.

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**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 2013, 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          | \$ 34,836,767          |
| Automobile liability    | 500               | 1,000,000              |
| Uninsured motorists     |                   | 1,000,000              |
| General liability:      |                   |                        |
| Per occurrence          | 2,500             | 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 2013, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 2). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniService, Inc. provides administrative, cost control and actuarial services to the GRP.

**NOTE 12 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://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, 2013

**NOTE 12 - PENSION PLANS - (Continued)**

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 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, 2013, 2012, and 2011 were \$132,616, \$126,139, and \$115,452, respectively; 77.41 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**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](http://www.strsoh.org), under "Publications".

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

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

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 12 - PENSION PLANS - (Continued)**

Funding Policy - For fiscal year 2013, 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, 2013, 2012, and 2011 were \$457,363, \$457,267 and \$485,675, respectively; 85.22 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$13,667 made by the District and \$9,762 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, 2013, 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 monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 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](http://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, 2013**

**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 2013, 0.16 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 2013, the actuarially determined amount was \$20,525.

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, 2013, 2012, and 2011 were \$15,588, \$19,312, and \$28,209, respectively; 77.41 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$7,491, \$7,449 and \$7,430, respectively; 77.41 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**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](http://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 2013, 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, 2013, 2012, and 2011 were \$35,182, \$35,174, and \$37,360, respectively; 85.22 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**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<br/>Improvements</u> |
|---|---------------------------------|
| Set-aside balance June 30, 2012             | \$ -                            |
| Current year set-aside requirement          | 138,820                         |
| Current year qualifying expenditures        | -                               |
| Current year offsets                        | (138,820)                       |
| Waiver granted by ODE                       | -                               |
| Prior year offset from bond proceeds        | -                               |
| Total                                       | <u>\$ -</u>                     |
| Balance carried forward to fiscal year 2014 | <u>\$ -</u>                     |
| Set-aside balance June 30, 2013             | <u>\$ -</u>                     |

The District had offsets during the fiscal year that reduced the capital improvements set-aside amount to zero. 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, 2013.

**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.



**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING – (Continued)**

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                            | \$ (863,533)        |
| Net adjustment for revenue accruals     | 26,098              |
| Net adjustment for expenditure accruals | 76,703              |
| Funds budgeted elsewhere                | 525                 |
| Adjustment for encumbrances             | 95,412              |
| GAAP basis                              | \$ (664,795)        |

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, 2013**

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District; however, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**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<br/>Encumbrances</u> |
|-----------------------|----------------------------------|
| General               | \$ 92,399                        |
| Permanent improvement | 10,065                           |
| Other governmental    | <u>80,784</u>                    |
| Total                 | <u>\$ 183,248</u>                |

WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2013

| Federal Grantor/<br>Pass Through Grantor<br>Program Title   | Federal<br>CFDA<br>Number | Receipts                  | Non-Cash<br>Receipts   | Expenditures              | Non-Cash<br>Expenditures |
|---|---------------------------|---------------------------|------------------------|---------------------------|--------------------------|
| <b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>  |                           |                           |                        |                           |                          |
| <i>Passed Through Ohio Department of Education:</i>   |                           |                           |                        |                           |                          |
| <i>Nutrition Cluster:</i>   |                           |                           |                        |                           |                          |
| <i>Non-Cash Assistance (Food Distribution):</i>   |                           |                           |                        |                           |                          |
| National School Lunch Program   | 10.555                    |                           | \$ 24,090              |                           | \$ 24,090                |
| <i>Cash Assistance:</i>   |                           |                           |                        |                           |                          |
| National School Breakfast Program   | 10.553                    | \$ 129,262                |                        | \$ 129,262                |                          |
| National School Lunch Program   | 10.555                    | 297,861                   |                        | 297,861                   |                          |
| Total U.S. Department of Agriculture  |                           | <u>427,123</u>            | <u>24,090</u>          | <u>427,123</u>            | <u>24,090</u>            |
| <b>UNITED STATES DEPARTMENT OF EDUCATION</b>  |                           |                           |                        |                           |                          |
| <i>Passed Through Ohio Department of Education:</i>   |                           |                           |                        |                           |                          |
| Title I Grants to Local Educational Agencies<br>(Title 1, Part A of the ESEA)                     | 84.010                    | 412,937                   |                        | 349,395                   |                          |
| Special Education Grants to States  | 84.027                    | 197,744                   |                        | 172,778                   |                          |
| Education Technology State Grants (Title II-D)  | 84.318                    | 1,105                     |                        | 1,305                     |                          |
| Rural Education   | 84.358                    | 26,435                    |                        | 15,175                    |                          |
| Improving Teacher Quality State Grants (Title II-A)   | 84.367                    | 68,038                    |                        | 64,651                    |                          |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top<br>Incentive Grants, Recovery Act | 84.395                    | 1,400                     |                        | 1,400                     |                          |
| Total U.S. Department of Education  |                           | <u>707,659</u>            |                        | <u>604,704</u>            |                          |
| <b>Totals</b>   |                           | <u><u>\$1,134,782</u></u> | <u><u>\$24,090</u></u> | <u><u>\$1,031,827</u></u> | <u><u>\$24,090</u></u>   |

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

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

The 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.

**NOTE 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 program that benefitted from the use of those donated food commodities.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 15, 2014, wherein we noted the School adopted new accounting guidance in Governmental Accounting Standards Board No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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, opining 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*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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  
Columbus, Ohio

May 15, 2014



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Wellsville Local School District's (the "District") compliance with the applicable 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 District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Wellsville Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

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**Report on Internal Control Over Compliance**

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

May 15, 2014



**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013**

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

|                     |   |   |
|---------------------|---|---|
| <b>(d)(1)(i)</b>    | <b>Type of Financial Statement Opinion</b>  | Unmodified  |
| <b>(d)(1)(ii)</b>   | <b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>                  | No  |
| <b>(d)(1)(ii)</b>   | <b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b> | No  |
| <b>(d)(1)(iii)</b>  | <b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>                        | No  |
| <b>(d)(1)(iv)</b>   | <b>Were there any material internal control weaknesses reported for major federal programs?</b>                       | No  |
| <b>(d)(1)(iv)</b>   | <b>Were there any significant deficiencies in internal control reported for major federal programs?</b>               | No  |
| <b>(d)(1)(v)</b>    | <b>Type of Major Programs' Compliance Opinion</b>   | Unmodified  |
| <b>(d)(1)(vi)</b>   | <b>Are there any reportable findings under § .510(a)?</b>   | No  |
| <b>(d)(1)(vii)</b>  | <b>Major Program (list):</b>  | Nutrition Cluster (CFDA #10.553 & 10.555); and<br>Special Education Grants Cluster (CFDA #84.027) |
| <b>(d)(1)(viii)</b> | <b>Dollar Threshold: Type A/B Programs</b>  | Type A: > \$ 300,000<br>Type B: all others  |
| <b>(d)(1)(ix)</b>   | <b>Low Risk Auditee?</b>  | 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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## Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on November 5, 2010 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act";

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

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

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

**Dave Yost**  
Auditor of State

May 15, 2014

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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  
JUNE 24, 2014**