



**Auditor of State
Betty Montgomery**

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Wellsville Local School District, Columbiana County (the District) as of and for the year ended June 30, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Wellsville Local School District, Columbiana County, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund type and non expendable trust fund for the year in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 15, 2003

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**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2003**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$25,058	\$198,586	\$178,794	\$493,215
Investments	215,108	175,000		175,000
Receivables:				
Taxes	870,427	18,369	154,624	113,230
Accounts	3,051	275		
Intergovernmental		94,958		
Accrued Interest	2,639			561
Interfund Receivable	45,013			
Materials and Supplies Inventory				
Prepaid Items	7,360			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	70,567			
Fixed Assets				
Accumulated Depreciation				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of Long-Term Obligations				
Amount to be Provided From General Government Resources				
Total Assets and Other Debits	<u>\$1,239,223</u>	<u>\$487,188</u>	<u>\$333,418</u>	<u>\$782,006</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$17,911	\$6,787		\$23,968
Accrued Wages and Benefits	520,320	106,923		
Compensated Absences Payable				
Interfund Payable		35,329		
Intergovernmental Payable	76,304	10,031		
Deferred Revenue	849,689	17,914	\$150,686	109,962
Due to Students				
General Obligation Bonds Payable				
Total Liabilities	<u>1,464,224</u>	<u>176,984</u>	<u>150,686</u>	<u>133,930</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved:				
Reserved for Prepaid Items	7,360			
Reserved for Debt Service Principal			178,794	
Reserved for Advances	45,013			
Reserved for Property Taxes	20,738	455	3,938	3,268
Reserved for Endowments				
Reserved for Budget Stabilization	70,567			
Unreserved:				
Unreserved, Undesignated	(368,679)	309,749		644,808
Total Fund Equity and Other Credits	<u>(225,001)</u>	<u>310,204</u>	<u>182,732</u>	<u>648,076</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$1,239,223</u>	<u>\$487,188</u>	<u>\$333,418</u>	<u>\$782,006</u>

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

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$22,260		\$38,896			\$956,809 565,108
					1,156,650
8,612	\$6,671				18,609
23,832					118,790
					3,200
					45,013
3,002					3,002
	1,453				8,813
					70,567
248,238 (155,374)			\$15,793,468		16,041,706 (155,374)
				\$178,794	178,794
				1,962,391	1,962,391
\$150,570	\$8,124	\$38,896	\$15,793,468	\$2,141,185	\$20,974,078
\$1,328	\$466	\$266			\$50,726
8,982	4,589				640,814
9,847	3,831			\$584,737	598,415
	9,684				45,013
9,978	4,417			66,448	167,178
					1,128,251
		27,830			27,830
				1,490,000	1,490,000
30,135	22,987	28,096		2,141,185	4,148,227
			\$15,793,468		15,793,468
120,435	(14,863)				105,572
					7,360
					178,794
					45,013
					28,399
		10,500			10,500
					70,567
		300			586,178
120,435	(14,863)	10,800	15,793,468		16,825,851
\$150,570	\$8,124	\$38,896	\$15,793,468	\$2,141,185	\$20,974,078

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WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003**

	Governmental Fund Types				Fiduciary Fund Types	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Intergovernmental	\$4,968,795	\$966,406	\$20,069	\$28,990		\$5,984,260
Interest	22,583			3,714		26,297
Increase in Fair Value of Investment	108,190					108,190
Tuition and Fees	10,183					10,183
Rent	148					148
Extracurricular Activities	9,372	96,533				105,905
Gifts and Donations	5,502	30,365			\$250	36,117
Property & Other Local Taxes	883,359	19,840	133,604	115,366		1,152,169
Miscellaneous	11,512	12,057				23,569
Total Revenues	6,019,644	1,125,201	153,673	148,070	250	7,446,838
Expenditures:						
Instruction:						
Regular	2,903,027	362,221		130,000		3,395,248
Special	545,324	312,857				858,181
Vocational	264,793					264,793
Support services:						
Pupils	212,495	53,084				265,579
Instructional Staff	180,570	95,829		12,454		288,853
Board of Education	14,497					14,497
Administration	809,621	38,926				848,547
Fiscal	207,559	35,222	3,039	2,664		248,484
Operation and Maintenance of Plant	856,684			102,116		958,800
Pupil Transportation	149,167					149,167
Extracurricular activities	137,139	115,735				252,874
Capital Outlay				228,215		228,215
Debt Service						
Debt Service - Principal	20,043		50,000			70,043
Debt Service - Interest	1,064		83,633			84,697
Total Expenditures	6,301,983	1,013,874	136,672	475,449		7,927,978
Excess of Revenues Over (Under) Expenditures	(282,339)	111,327	17,001	(327,379)	250	(481,140)
Other Financing Sources and Uses						
Other Financing Sources		9,626				9,626
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(282,339)	120,953	17,001	(327,379)	250	(471,514)
Fund Balances at Beginning of Year	57,338	189,251	165,731	975,455		1,387,775
Fund Balances at End of Year	(\$225,001)	\$310,204	\$182,732	\$648,076	\$250	\$916,261

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

WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003**

	Governmental Fund Types		
	General		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$5,772,500	\$5,019,314	(\$753,186)
Interest	35,000	135,811	100,811
Tuition and Fees	11,000	10,183	(817)
Rent		148	148
Extracurricular Activities	3,600	9,372	5,772
Gifts and Donations	5,000	5,502	502
Property & Other Local Taxes	857,000	932,504	75,504
Miscellaneous	18,400	8,863	(9,537)
Total Revenues	6,702,500	6,121,697	(580,803)
Expenditures:			
Current:			
Instruction:			
Regular	3,227,846	2,909,565	318,281
Special	542,320	550,431	(8,111)
Vocational	232,125	264,400	(32,275)
Support services:			
Pupils	199,750	227,487	(27,737)
Instructional Staff	177,100	172,671	4,429
Board of Education	8,800	6,258	2,542
Administration	1,035,467	855,934	179,533
Fiscal	354,149	213,897	140,252
Operation and Maintenance of Plant	839,700	866,568	(26,868)
Pupil Transportation	127,550	131,160	(3,610)
Extracurricular activities	111,750	137,221	(25,471)
Capital Outlay			
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	6,856,557	6,335,592	520,965
Excess of Revenues Over (Under) Expenditures	(154,057)	(213,895)	(59,838)
Other Financing Sources and Uses			
Advances In			
Other Financing Sources			
Advances Out		(45,013)	(45,013)
Total Other Financing Sources (Uses)		(45,013)	(45,013)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(154,057)	(258,908)	(104,851)
Fund Balances at Beginning of Year (Restated)	581,243	581,243	
Prior Year Encumbrances Appropriated	2,347	2,347	
Fund Balance at end of Year	\$429,533	\$324,682	(\$104,851)

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

Governmental Fund Types					
Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$825,674	\$845,056	\$19,382		\$20,069	\$20,069
90,100	97,282	7,182			
3,000	30,365	27,365			
19,000	19,385	385	\$163,290	143,222	(20,068)
21,800	12,057	(9,743)			
<u>959,574</u>	<u>1,004,145</u>	<u>44,571</u>	<u>163,290</u>	<u>163,291</u>	<u>1</u>
558,545	387,742	170,803			
315,496	311,737	3,759			
46,920	54,634	(7,714)			
92,725	93,869	(1,144)			
63,261	36,361	26,900			
66,306	35,222	31,084	7,227	3,039	4,188
2,057		2,057			
98,718	109,658	(10,940)			
			109,498	50,000	59,498
			186,146	83,633	102,513
<u>1,244,028</u>	<u>1,029,223</u>	<u>214,805</u>	<u>302,871</u>	<u>136,672</u>	<u>166,199</u>
<u>(284,454)</u>	<u>(25,078)</u>	<u>259,376</u>	<u>(139,581)</u>	<u>26,619</u>	<u>166,200</u>
	35,329	35,329			
7,100	9,626	2,526			
<u>7,100</u>	<u>44,955</u>	<u>37,855</u>			
<u>(277,354)</u>	<u>19,877</u>	<u>297,231</u>	<u>(139,581)</u>	<u>26,619</u>	<u>166,200</u>
296,855	296,855		152,175	152,175	
6,221	6,221				
<u>\$25,722</u>	<u>\$322,953</u>	<u>\$297,231</u>	<u>\$12,594</u>	<u>\$178,794</u>	<u>\$166,200</u>

(Continued)

WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003**

	Governmental Fund Types		
	Capital Projects		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$40,700	\$28,990	(\$11,710)
Interest		3,153	3,153
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Property & Other Local Taxes	130,710	125,057	(5,653)
Miscellaneous			
Total Revenues	171,410	157,200	(14,210)
Expenditures:			
Current:			
Instruction:			
Regular		130,000	(130,000)
Special			
Vocational			
Support services:			
Pupils			
Instructional Staff	11,500	12,454	(954)
Board of Education			
Administration			
Fiscal	3,000	2,664	336
Operation and Maintenance of Plant	542,857	102,116	440,741
Pupil Transportation			
Extracurricular activities			
Capital Outlay	337,001	204,483	132,518
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	894,358	451,717	442,641
Excess of Revenues Over (Under) Expenditures	(722,948)	(294,517)	428,431
Other Financing Sources and Uses			
Advances In			
Other Financing Sources			
Advances Out			
Total Other Financing Sources (Uses)			
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(722,948)	(294,517)	428,431
Fund Balances at Beginning of Year (Restated)	962,496	962,496	
Prior Year Encumbrances Appropriated			
Fund Balance at end of Year	\$239,548	\$667,979	\$428,431

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

Fiduciary Fund Types			Totals (Memorandum Only)		
Expendable Trust					
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
			\$6,638,874	\$5,913,429	(\$725,445)
			35,000	138,964	103,964
			11,000	10,183	(817)
				148	148
			93,700	106,654	12,954
\$300	\$250	(\$50)	8,300	36,117	27,817
			1,170,000	1,220,168	50,168
			40,200	20,920	(19,280)
300	250	(50)	7,997,074	7,446,583	(550,491)
			3,786,391	3,427,307	359,084
			857,816	862,168	(4,352)
			232,125	264,400	(32,275)
			246,670	282,121	(35,451)
			281,325	278,994	2,331
			8,800	6,258	2,542
			1,098,728	892,295	206,433
			430,682	254,822	175,860
			1,384,614	968,684	415,930
			127,550	131,160	(3,610)
			210,468	246,879	(36,411)
			337,001	204,483	132,518
			109,498	50,000	59,498
			186,146	83,633	102,513
			9,297,814	7,953,204	1,344,610
300	250	(50)	(1,300,740)	(506,621)	794,119
				35,329	35,329
			7,100	9,626	2,526
				(45,013)	(45,013)
			7,100	(58)	(7,158)
300	250	(50)	(1,293,640)	(506,679)	786,961
			1,992,769	1,992,769	
			8,568	8,568	
\$300	\$250	(\$50)	\$707,697	\$1,494,658	\$786,961

WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND EQUITY
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003**

	Proprietary Fund Types		Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Internal Service	Non-Expendable Trust	
Operating Revenues:				
Sales	\$117,395			\$117,395
Interest			\$300	300
Other Revenues		\$112,592		112,592
Total Operating Revenues	<u>117,395</u>	<u>112,592</u>	<u>300</u>	<u>230,287</u>
Operating Expenses				
Salaries	101,166	75,682		176,848
Fringe Benefits	37,896	19,454		57,350
Purchased Services	50	17,506		17,556
Materials and Supplies	142,806	3,926		146,732
Depreciation	12,661			12,661
Other		295		295
Total Operating Expenses	<u>294,579</u>	<u>116,863</u>		<u>411,442</u>
Operating Income (Loss)	<u>(177,184)</u>	<u>(4,271)</u>	<u>300</u>	<u>(181,155)</u>
Non-Operating Revenues and Expenses				
Federal Donated Commodities	19,806			19,806
Federal and State Subsidies	151,772			151,772
Total Non-Operating Revenues and Expenses	<u>171,578</u>			<u>171,578</u>
Net Income (Loss)	(5,606)	(4,271)	300	(9,577)
Retained Earnings/Fund Balance at Beginning of Year	126,041	(10,592)	10,250	125,699
Retained Earnings/Fund Balance at End of Year	<u><u>\$120,435</u></u>	<u><u>(\$14,863)</u></u>	<u><u>\$10,550</u></u>	<u><u>\$116,122</u></u>

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities:				
Cash Received from Sales	\$108,784			\$108,784
Other Cash Receipts		\$105,921		105,921
Cash Payments to Suppliers for Goods and Service	(122,524)	(4,485)		(127,009)
Cash Payments for Contract Services	(50)	(14,929)		(14,979)
Cash Payments for Employee Services	(97,027)	(69,952)		(166,979)
Cash Payments for Employee Benefits	(42,603)	(21,914)		(64,517)
Other Cash Payments		(295)		(295)
Net Cash Provided (Used) by Operating Activities	<u>(153,420)</u>	<u>(5,654)</u>		<u>(159,074)</u>
Cash Flows from Noncapital Financing Activities:				
Operating Grants Received	145,791			145,791
Advances Out		9,684		9,684
Net Cash Provided (Used) by Noncapital Financing Activities	<u>145,791</u>	<u>9,684</u>		<u>155,475</u>
Cash Flows from Investing Activities:				
Interest Received			\$300	300
Cash Flows from Capital and Related Financing Activities:				
Payments for Capital Acquisitions		(4,030)		(4,030)
Net Increase (Decrease) in Cash and Cash Equivalents	(7,629)		300	(7,329)
Cash and Cash Equivalents at Beginning of Year	<u>29,889</u>		<u>10,250</u>	<u>40,139</u>
Cash and Cash Equivalents at End of Year	<u><u>\$22,260</u></u>		<u><u>\$10,550</u></u>	<u><u>\$32,810</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	(\$177,184)	(\$4,271)	\$300	(\$181,155)
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:				
Depreciation	12,661			12,661
Donated Commodities Used During the Year	19,806			19,806
Adjustments for Noncash Transactions		4,030		4,030
Nonexpendable Trust Interest			(300)	(300)
(Increase) Decrease in Assets:				
Accounts Receivable	(8,612)	(6,671)		(15,283)
Material and Supplies Inventory	1,999			1,999
Prepaid Items		(1,453)		(1,453)
Increase (Decrease) in Liabilities:				
Accounts Payable	1,328	(559)		769
Compensated Absences Payable	3,594	1,330		4,924
Intergovernmental Payable	561	(845)		(284)
Deferred Revenue	(2,852)			(2,852)
Accrued Wages and Benefits	(4,721)	2,785		(1,936)
Total Adjustments	<u>23,764</u>	<u>(1,383)</u>	<u>(300)</u>	<u>22,081</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(\$153,420)</u></u>	<u><u>(\$5,654)</u></u>		<u><u>(\$159,074)</u></u>
Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 2003:				
Cash and Cash Equivalents — Trust and Agency Funds				\$38,896
Less: Expendable Trust Funds				(\$250)
Less: Agency Funds				(28,096)
Cash and Cash Equivalents — Nonexpendable Trust Funds				<u><u>\$10,550</u></u>

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

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**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1875 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 10 square miles. It is located in Columbiana County, and includes the Village of Wellsville and portions of Madison and Yellow Creek Townships. The School District is the 497th largest in the State of Ohio (among 612 school districts) in terms of enrollment. The School District is staffed by 45 non-certificated employees and 82 certificated full-time teaching personnel who provide services to 992 students and other community members. The School District currently operates 5 instructional buildings.

Reporting Entity:

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting

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

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

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

1. Governmental Fund Types:

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

General Fund

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

Special Revenue Funds

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

Debt Service Fund

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

Capital Projects Fund

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Fund Types:

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

Enterprise Funds

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

Internal Service Fund

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

3. Fiduciary Fund Types:

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

4. Account Groups:

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

General Fixed Assets Account Group

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

General Long-Term Obligations Account Group

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

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

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

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

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

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

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2003, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2004 operations, have been recorded as deferred revenue.

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

C. Budgetary Process

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

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

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

1. Tax Budget:

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

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

2. Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2003.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3. Appropriations:

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

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

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

4. Encumbrances:

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

5. Lapsing of Appropriations:

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents

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

Star Ohio is an investment pool maintained by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. Star Ohio is not registered with the SEC as an investment company but does operate in a manner consistent with rule 227 of the Investment Act of 1940. Investments in Star Ohio are valued at Star Ohio's share price, which is the price the investment could be sold for on June 30, 2003.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

E. Inventory

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

F. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand dollars. The School District does not have any infrastructure.

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

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Interfund Assets/Liabilities

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

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

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

J. Accrued Liabilities and Long-Term Obligations

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

K. Interfund Transactions

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

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Restricted Assets

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

M. Fund Balance Reserves

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

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

N. Total Columns on General Purpose Financial Statements

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

3. ACCOUNTABILITY

At June 30, 2003, the Disadvantaged Pupil Impact Aid Fund, Title VI-B Fund, Title I Fund, Title VI Fund, and the Driver's Education Fund had deficit fund balances of \$52,447, \$12,062, \$6,255, \$1,268, and \$14,863, respectively, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

A restatement of the fund balance of the General Fund on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Budgetary Basis) is necessary to account for a receipt of stock shares received in the prior year and not posted to the cash ledgers until this year

Fund balance as previously reported	\$ 124,325
Restatement	<u>456,918</u>
Restated fund balance as of July 1, 2002	<u>581,243</u>

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual-All Governmental Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

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

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
Budget Basis	(\$258,908)	\$19,877	\$26,619	(\$294,517)	\$250
Adjustments for:					
Revenue Accruals	(558,971)	121,056	(9,618)	(9,130)	
Expenditure Accruals	33,535	15,234		(23,968)	
Other Accruals	45,013	(35,329)			
Encumbrances	74	115		236	
GAAP Basis	<u>(\$282,339)</u>	<u>\$120,953</u>	<u>\$17,001</u>	<u>(\$327,379)</u>	<u>\$250</u>

5. DEPOSITS AND INVESTMENTS

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

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

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$1,020,916 and the bank balance was \$1,177,325. Of the bank balance, \$100,000 was covered by federal depository insurance and \$1,077,325 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

	Category 2	Unclassified	Carrying Fair Value
Common Stock	\$565,108	\$0	\$565,108
STAR Ohio	0	6,460	6,460
Total	\$565,108	\$6,460	\$571,568

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

	Cash and Cash Equivalents	Investments
GASB Statement 9	\$1,027,376	\$565,108
STAR Ohio	(6,460)	6,460
GASB Statement 3	\$1,020,916	\$571,568

6. PROPERTY TAXES

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

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

The School District receives property taxes from Columbiana County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes, which became measurable as of June 30, 2003. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2003, was \$20,738 in the General Fund, \$455 in a Special Revenue Fund, \$3,938 in the Bond Retirement Debt Service Fund, and \$3,268 in the Permanent Improvement Fund.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

6. PROPERTY TAXES (Continued)

The assessed values upon which fiscal year 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$31,939,570	81%	\$35,890,830	83%
Public Utility	3,996,290	10%	3,377,770	8%
Tangible Personal Property	3,663,180	9%	3,686,410	9%
Total Assessed Value	<u>\$39,599,040</u>	<u>100%</u>	<u>\$42,955,010</u>	<u>100%</u>
Tax rate per \$1,000 of Assessed valuation	\$39.89		\$42.69	

7. RECEIVABLES

Receivables at June 30, 2003, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of receivables follows:

	Amounts
General Fund	
Taxes	\$870,427
Accounts	3,051
Accrued Interest	2,639
Interfund Loan	45,013
Special Revenue Funds	
Taxes	18,369
Accounts	275
Intergovernmental	94,958
Debt Service	
Taxes	154,624
Capital Projects	
Taxes	113,230
Accrued Interest	561
Enterprise	
Accounts	8,612
Intergovernmental	23,832
Internal Service	
Accounts	6,671
Total Receivables	<u>\$1,342,262</u>

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

8. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2003, follows:

Furniture and Equipment	\$248,238
Less: Accumulated Depreciation	(155,374)
Net Fixed Assets	\$92,864

A summary of the changes in general fixed assets during fiscal year 2003 follows:

Asset Category	Balance at 6/30/02	Additions	Deletions	Balance at 6/30/03
Land and Improvements	\$1,088,004			\$1,088,004
Buildings	11,051,552			11,051,552
Furniture and Equipment	3,273,797	\$32,992		3,306,789
Vehicles	347,123			347,123
Totals	\$15,760,476	\$32,992		\$15,793,468

9. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003 the School District's insurance coverage through Wausau Insurance Corporation was as follows:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Liability Limit</u>
Building and Contents	\$1,000	\$32,952,477
Automobile Liability	100	1,000,000
Uninsured Motorists	0	1,000,000
General Liability		
Per occurrence	0	1,000,000
Per year		3,000,000

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

For fiscal year 2003 the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Wellsville Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand alone financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the Wellsville Local School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of the annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by SERS's Retirement Board. The School District's contributions to SERS for the years ended June 30, 2003, 2002 and 2001 were \$137,448, \$122,540, and \$119,270, respectively; 53 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$64,030 representing unpaid contribution for fiscal year 2003 is recorded as a liability within the respective funds and the general long-term obligations account.

B. State Teachers Retirement System

The District also contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

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 member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1999, the portion used to fund pension obligations was 12 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$502,635, \$491,128, and \$469,479, respectively. 86% has been contributed for the fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$72,562 representing the unpaid contribution for the fiscal year 2003 is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2003, all members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

11. POSTEMPLOYMENT BENEFITS

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit Plan and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care costs in the form of monthly premium.

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

The Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2002, the Board allocated employer contributions equal to 4.5% of covered payroll to Health Care Stabilization Fund. Effective July 1, 2002, 1% of covered payroll will be allocated to the fund. The balance in the Health Care Stabilization Fund was \$3.011 billion on June 30, 2002 (the latest information available).

For the year ended June 30, 2002, net health care costs paid by STRS Ohio were \$354,697,000. There were 105,300 eligible benefit recipients.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

11. POSTEMPLOYMENT BENEFITS – (Continued)

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

After the allocation for the basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2003, the allocation rate is 5.83%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2003, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available) were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, the Retirement System's net assets available for payment of health care benefits were \$335.2 million. The number of participants currently receiving health care benefits is approximately 50,000.

The portion of your employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .61, then adding the surcharge due as of June 30, 2002, as certified to your district by SERS.

12. EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 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 62 days for classified employees and 62 days for certificated employees.

B. Life Insurance

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

12. EMPLOYEE BENEFITS – (Continued)

C. Retirement Incentive Plan Bonus Payment

In addition to severance pay, a \$7,500 bonus will be paid to any certificated employee at the time of his/her retirement from the School District and acceptance for receipt of retirement benefits by the State Teachers Retirement System.

13. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2003 were as follows:

	Balance at 07/01/02	Additions	Deductions	Balance at 06/30/03
School Improvement Bonds	\$1,540,000		\$50,000	\$1,490,000
Capital Lease	20,043		20,043	
Pension Obligation	52,150	\$14,298		66,448
Compensated Absences	582,426	2,311		584,737
Total Long-Term Obligations	\$2,194,619	\$16,609	\$70,043	\$2,141,185

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

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

The School District's voted legal debt margin was \$2,375,951 with an unvoted debt margin of \$42,955 at June 30, 2003.

Principal and interest requirements to retire general obligation debt, including notes outstanding at June 30, 2003, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2004	\$50,000	\$82,395	\$132,395
2005	55,000	79,895	134,895
2006	55,000	77,090	132,090
2007	60,000	74,230	134,230
2008	65,000	71,080	136,080
2009-2013	365,000	300,333	665,333
2014-2018	480,000	186,450	666,450
2019-2021	360,000	41,245	401,245
Total	\$1,490,000	\$912,718	\$2,402,718

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

14. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and adult education. The table below reflects the more significant financial data relating to the enterprise funds of the Wellsville Local School District as of and for the fiscal year ended June 30, 2003.

	Food Service	Adult Education	Total Enterprise Funds
Operating Revenues	\$117,395		\$117,395
Depreciation Expense	12,661		12,661
Operating Income (Loss)	(177,184)		(177,184)
Donated Commodities	19,806		19,806
Grants	151,772		151,772
Net Income (Loss)	(5,606)		(5,606)
Net Working Capital	24,829	\$2,742	27,571
Total Assets	147,828	2,742	150,570
Total Liabilities	30,135		30,135
Total Equity	117,693	2,742	120,435

15. JOINTLY GOVERNED ORGANIZATIONS

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

16. INSURANCE PURCHASING POOL

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

17. CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

18. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 2002	(\$66,746)		\$70,567
Current Year Set-aside Requirement	149,041	\$149,041	
Current Year Offsets			
Qualifying Disbursements	<u>(173,067)</u>	<u>(234,953)</u>	
Total	<u>(\$90,772)</u>	<u>(\$85,912)</u>	<u>\$70,567</u>
Cash Balance Carried Forward to FY 2004	<u>(\$90,772)</u>		<u>\$70,567</u>
Total Restricted Assets			\$70,567

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

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended Ohio Revised Code Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. S.B. 345 places special restrictions on the use of Bureau of Workers Compensation (BWC) rebate money remaining in the budget stabilization reserve as of April 10, 2001, which is \$70,567 at June 30, 2003. Other non-BWC monies previously reported in the budget stabilization reserve are now reported as unreserved and undesignated fund balance in the general fund. The District is still required by state law to maintain the textbook reserve and capital acquisition reserve.

19. SCHOOL FUNDING DECISION

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

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

20. INTERFUND ASSETS/LIABILITIES

Interfund balances at June 30, 2003 consist of the following individual interfund loans receivable and payable:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$45,013	
Special Revenue		\$35,329
Internal Service		9,684
Total All Funds	<u>\$45,013</u>	<u>\$45,013</u>

WELLSVILLE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550		\$19,806		\$19,806
National School Breakfast Program		10.553	\$22,813		\$22,813	
National School Lunch Program		10.555	113,214		113,214	
Total U.S. Department of Agriculture - Nutrition Cluster			136,027	19,806	136,027	19,806
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF-02 6B-SF-03	84.027	1,441 101,810		7,400 120,884	
Total Special Education Cluster			103,251		128,284	
Title VI R Classroom Reduction Grant	CR-S1-02	84.340			7,895	
Title II A	TR-S1-03	84.367	46,016		54,187	
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-02 C1-S1-03	84.010	30,202 252,074 282,276		51,682 242,755 294,437	
Innovative Educational Program Strategies	C2-S1-01 C2-S1-02 C2-S1-03	84.298	596 3,828 1,162 5,586		4,396 3,828 7,722 15,946	
Drug-Free Schools Grant	DR-S1-03	84.186	3,191 6,043 9,234		3,191 7,568 10,759	
Eisenhower Professional Development Grant	MS-S1-01 MS-S1-02	84.281			985 4,678 5,663	
Fund for Improvement of Education		84.215K	37,129 1,682 38,811		32,616 1,532 34,148	
Goals 2000		84.276			3,176	
Title II D Technology Literacy Grant		84.318	1,390			
Total Department of Education			486,564		554,495	
Totals			\$622,591	\$19,806	\$690,522	\$19,806

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2003**

A. SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

B. FOOD DISTRIBUTION

Non monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2003, the district had no significant food commodities in inventory .



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

We have audited the accompanying financial statements of Wellsville Local School District as of and for the year ended June 30, 2003, and have issued our report thereon dated December 15, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Wellsville Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to management of the Wellsville Local School District in a separate letter dated December 15, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wellsville Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Wellsville Local School District
Columbiana County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Wellsville Local School District in a separate letter dated December 15, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 15, 2003



Auditor of State Betty Montgomery

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

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

To the Board of Education:

Compliance

We have audited the compliance of Wellsville Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. Wellsville Local School District's major federal program is identified in the summary of the auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Wellsville Local School District's management. Our responsibility is to express an opinion on Wellsville Local School District's compliance based on our audit.

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

In our opinion, Wellsville Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

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

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

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 15, 2003

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY
JUNE 30, 2003**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA# 84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None	
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3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None	
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**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-11215-001	Ohio Revised Code § 5705.41 (B) expenditures exceeded appropriations	Yes	
2002-11215-002	Estimated resources had not been posted to the district's accounting system until March 2002	Yes	



**Auditor of State
Betty Montgomery**

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WELLSVILLE LOCAL SCHOOL DISTRICT

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 22, 2004**