

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 1999**

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OFFICE OF THE AUDITOR**

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**REPORT OF INDEPENDENT ACCOUNTANTS**

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

To the Board of Education:

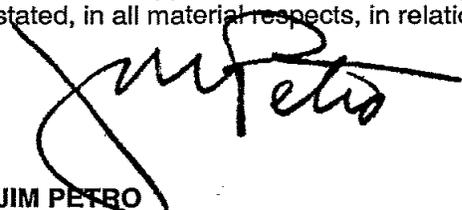
We have audited the accompanying general-purpose financial statements of the Wellsville Local School District, Columbiana County, (the District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's 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 generally accepted auditing standards 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, 1999, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 1999 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit 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 receipts and 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. Such information has been subjected 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.

  
**JIM PETRO**  
Auditor of State

December 17, 1999

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 1999**

**Governmental  
Fund Types**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>Assets and Other Debits:</b>				
Equity in Pooled Cash and Cash Equivalents	\$963,313	\$138,403	\$82,822	\$4,129,448
Receivables:				
Taxes	853,605	18,514	146,439	99,721
Accounts	480	700	0	862
Intergovernmental	0	0	0	0
Accrued Interest	19,302	0	0	0
Materials and Supplies Inventory	0	0	0	0
Restricted Assets:				
Cash and Cash Equivalents	70,567	0	0	0
Fixed Assets	0	0	0	0
Accumulated Depreciation	0	0	0	0
<b>Other Debits:</b>				
Amount in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
<b>Total Assets and Other Debits</b>	<u>\$1,907,267</u>	<u>\$157,617</u>	<u>\$229,261</u>	<u>\$4,230,031</u>
<b>Liabilities:</b>				
Accounts Payable	\$43,866	\$4,245	\$0	\$59,007
Accrued Wages and Benefits	505,575	72,374	0	0
Compensated Absences Payable	44,894	0	0	0
Intergovernmental Payable	83,381	9,955	0	0
Deferred Revenue	838,056	18,126	143,421	97,109
Due to Students	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
<b>Total Liabilities</b>	<u>1,515,772</u>	<u>104,700</u>	<u>143,421</u>	<u>156,116</u>
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balances:				
Reserved:				
Reserved for Encumbrances	562	0	0	0
Reserved for Debt Service Principal	0	0	82,822	0
Reserved for Property Taxes	15,549	388	3,018	2,612
Reserved for Budget Stabilization	70,567	0	0	0
Unreserved:				
Unreserved, Undesignated	304,817	52,529	0	4,161,303
<b>Total Fund Equity and Other Credits</b>	<u>391,495</u>	<u>52,917</u>	<u>85,840</u>	<u>4,163,915</u>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<u>\$1,907,267</u>	<u>\$157,617</u>	<u>\$229,261</u>	<u>\$4,320,031</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 Asset Account Group	General Long-Term Debt Account Group	
\$4,368	\$214	\$51,362	\$0	\$0	\$5,369,930
0	0	0	0	0	1,118,279
0	8,278	104	0	0	10,424
15,429	0	0	0	0	15,429
0	0	0	0	0	19,302
9,089	0	0	0	0	9,089
0	0	0	0	0	70,567
184,314	0	0	4,608,902	0	4,793,216
(156,371)	0	0	0	0	(156,371)
0	0	0	0	85,840	85,840
0	0	0	0	2,088,845	2,088,845
<u>\$56,829</u>	<u>\$8,492</u>	<u>\$51,466</u>	<u>\$4,608,902</u>	<u>\$2,174,685</u>	<u>\$13,424,550</u>
\$0	\$257	\$0	\$0	\$0	\$107,375
15,755	7,637	0	0	0	601,341
3,161	7,242	0	0	465,120	520,417
6,357	4,052	0	0	39,565	143,310
6,663	0	0	0	0	1,103,375
0	0	40,916	0	0	40,916
0	0	0	0	1,670,000	1,670,000
<u>31,936</u>	<u>19,188</u>	<u>40,916</u>	<u>0</u>	<u>2,174,685</u>	<u>4,186,734</u>
0	0	0	4,608,902	0	4,608,902
24,893	(10,696)	0	0	0	14,197
0	0	0	0	0	562
0	0	0	0	0	82,822
0	0	0	0	0	21,567
0	0	0	0	0	70,567
0	0	10,550	0	0	4,529,199
<u>24,893</u>	<u>(10,696)</u>	<u>10,550</u>	<u>4,608,902</u>	<u>0</u>	<u>9,327,816</u>
<u>\$56,829</u>	<u>\$8,492</u>	<u>\$51,466</u>	<u>\$4,608,902</u>	<u>\$2,174,685</u>	<u>\$13,514,550</u>

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
FOR THE YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects		Expendable Trust
<b>Revenues:</b>						
Intergovernmental	\$4,443,602	\$627,169	\$16,691	\$2,585,960	\$0	\$7,673,422
Interest	108,379	0	0	104,775	0	213,154
Tuition and Fees	9,131	0	0	0	0	9,131
Rent	24,181	27,676	0	(250)	0	51,607
Extracurricular Activities	2,408	94,456	0	0	0	96,864
Property & Other Local Taxes	792,015	16,978	132,129	123,618	0	1,064,740
<b>Total Revenues</b>	<b>5,379,716</b>	<b>766,279</b>	<b>148,820</b>	<b>2,814,103</b>	<b>0</b>	<b>9,108,918</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	2,628,392	269,662	0	10,069	0	2,908,123
Special	553,451	284,814	0	0	0	838,265
Vocational	266,509	0	0	0	0	266,509
<b>Support Services:</b>						
Pupils	207,315	9,967	0	0	0	217,282
Instructional Staff	145,030	88,602	0	0	0	233,632
Board of Education	16,861	0	0	0	0	16,861
Administration	625,537	34,903	0	6,183	0	666,623
Fiscal	180,048	6,356	2,783	2,612	0	191,799
Operation and Maintenance of Plant	569,377	0	0	0	0	569,377
Pupil Transportation	75,658	0	0	0	0	75,658
Central	6,397	0	0	0	0	6,397
Non-Instructional Services	2,382	0	0	0	0	2,382
Extracurricular activities	110,545	89,273	0	0	0	199,818
Capital Outlay	81,681	0	0	549,265	0	630,946
<b>Debt Service:</b>						
Debt Service - Principal	0	0	138,373	0	0	138,373
<b>Total Expenditures</b>	<b>5,469,183</b>	<b>783,577</b>	<b>141,156</b>	<b>568,129</b>	<b>0</b>	<b>6,962,045</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(89,467)</b>	<b>(17,298)</b>	<b>7,664</b>	<b>2,245,974</b>	<b>0</b>	<b>2,146,873</b>
<b>Other Financing Sources and Uses</b>						
Operating Transfers In	80,986	46,160	0	0	0	127,146
Proceeds from Sale of Fixed Assets	926	0	0	0	0	926
Operating Transfers Out	(142,411)	(20,559)	0	0	(1)	(162,971)
<b>Total Other Financing Sources (Uses)</b>	<b>(60,499)</b>	<b>25,601</b>	<b>0</b>	<b>0</b>	<b>(1)</b>	<b>(34,899)</b>
<b>Excess of Rev and Other over Exp and Other...</b>	<b>(149,966)</b>	<b>8,303</b>	<b>7,664</b>	<b>2,245,974</b>	<b>(1)</b>	<b>2,111,974</b>
<b>Fund Balance at Beginning of Year</b>	<b>541,461</b>	<b>44,614</b>	<b>78,176</b>	<b>1,917,941</b>	<b>1</b>	<b>2,582,193</b>
<b>Fund Balance at End of Year</b>	<b>\$391,495</b>	<b>\$52,917</b>	<b>\$85,840</b>	<b>\$4,163,915</b>	<b>\$0</b>	<b>\$4,694,167</b>

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET-ACTUAL (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>General</u>		<b>Variance: Favorable (Unfavorable)</b>
	<u>Budget</u>	<u>Actual</u>	
<b>Revenues:</b>			
Intergovernmental	\$4,444,961	\$4,444,152	(\$809)
Interest	89,141	89,165	24
Tuition and Fees	9,300	9,131	(169)
Rent	21,600	24,181	2,581
Extracurricular Activities	1,950	1,928	(22)
Property & Other Local Taxes	793,043	792,272	(771)
<b>Total Revenues</b>	<u>5,359,995</u>	<u>5,360,829</u>	<u>834</u>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	2,573,744	2,573,744	0
Special	547,346	547,346	0
Vocational	272,174	272,174	0
<b>Support Services:</b>			
Pupils	196,194	196,194	0
Instructional Staff	142,608	142,608	0
Board of Education	17,211	17,211	0
Administration	621,868	621,868	0
Fiscal	176,441	176,441	0
Operation and Maintenance of Plant	576,756	576,756	0
Pupil Transportation	76,378	76,378	0
Central	6,397	6,397	0
Non-Instructional Services	2,369	2,369	0
Extracurricular activities	110,589	110,589	0
Capital Outlay	81,681	81,681	0
<b>Debt Service:</b>			
Debt Service - Principal	0	0	0
Debt Service - Interest	0	0	0
<b>Total Expenditures</b>	<u>5,401,756</u>	<u>5,401,756</u>	<u>0</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(41,761)</u>	<u>(40,927)</u>	<u>834</u>
<b>Other Financing Sources and Uses</b>			
Operating Transfers In	46,000	80,986	34,986
Proceeds from Sale of Fixed Assets	950	926	(24)
Operating Transfers Out	(142,411)	(142,411)	0
<b>Total Other Financing Sources (Uses)</b>	<u>(95,461)</u>	<u>(60,499)</u>	<u>34,962</u>
<b>Excess of Rev and Other over Exp and Other...</b>	<u>(137,222)</u>	<u>(101,426)</u>	<u>35,796</u>
<b>Fund Balances at Beginning of Year</b>	1,103,986	1,103,986	0
Prior Year Encumbrances Appropriated	22,408	22,408	0
<b>Fund Balance at end of Year</b>	<u>\$989,172</u>	<u>\$1,024,968</u>	<u>\$35,796</u>

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$636,711	\$627,169	(\$9,542)	\$17,000	\$16,691	(\$309)
0	0	0	0	0	0
0	0	0	0	0	0
29,780	27,676	(2,104)	0	0	0
95,415	94,106	(1,309)	0	0	0
17,100	16,980	(120)	132,900	132,106	(794)
<u>779,006</u>	<u>765,931</u>	<u>(13,075)</u>	<u>149,900</u>	<u>148,797</u>	<u>(1,103)</u>
253,406	253,406	0	0	0	0
291,698	291,698	0	0	0	0
0	0	0	0	0	0
10,210	10,210	0	0	0	0
98,332	98,332	0	0	0	0
0	0	0	0	0	0
41,442	35,469	5,973	0	0	0
6,349	6,349	0	2,783	2,783	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
89,273	89,273	0	0	0	0
0	0	0	0	0	0
0	0	0	39,000	39,000	0
0	0	0	99,373	99,373	0
<u>790,710</u>	<u>784,737</u>	<u>5,973</u>	<u>141,156</u>	<u>141,156</u>	<u>0</u>
<u>(11,704)</u>	<u>(18,806)</u>	<u>(7,102)</u>	<u>8,744</u>	<u>7,641</u>	<u>(1,103)</u>
46,359	46,160	(199)	0	0	0
0	0	0	0	0	0
0	(20,559)	(20,559)	0	0	0
<u>46,359</u>	<u>25,601</u>	<u>(20,758)</u>	<u>0</u>	<u>0</u>	<u>0</u>
34,655	6,795	(27,860)	8,744	7,641	(1,103)
127,389	127,389	0	75,181	75,181	0
1,348	1,348	0	0	0	0
<u>\$163,392</u>	<u>\$135,532</u>	<u>(\$27,860)</u>	<u>\$83,925</u>	<u>\$82,822</u>	<u>(\$1,103)</u>

(Continued)

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET-ACTUAL (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
FOR THE YEAR ENDED JUNE 30, 1999  
(Continued)**

	<u>Capital Projects</u>		<b>Variance: Favorable (Unfavorable)</b>
	<u>Budget</u>	<u>Actual</u>	
<b>Revenues:</b>			
Intergovernmental	\$2,577,047	\$2,585,960	\$8,913
Interest	104,351	103,913	(438)
Tuition and Fees	0	0	0
Rent	0	(250)	(250)
Extracurricular Activities	0	0	0
Property & Other Local Taxes	123,700	123,649	(51)
<b>Total Revenues</b>	<u>2,805,098</u>	<u>2,813,272</u>	<u>8,174</u>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	10,069	10,069	0
Special	0	0	0
Vocational	0	0	0
<b>Support Services:</b>			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	7,131	7,131	0
Fiscal	2,612	2,612	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Non-Instructional Services	0	0	0
Extracurricular activities	0	0	0
Capital Outlay	490,258	490,258	0
<b>Debt Service:</b>			
Debt Service - Principal	0	0	0
Debt Service - Interest	0	0	0
<b>Total Expenditures</b>	<u>510,070</u>	<u>510,070</u>	<u>0</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>2,295,028</u>	<u>2,303,202</u>	<u>8,174</u>
<b>Other Financing Sources and Uses</b>			
Operating Transfers In	72,000	72,000	0
Proceeds from Sale of Fixed Assets	0	0	0
Operating Transfers Out	(72,000)	(72,000)	0
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Excess of Rev and Other over Exp and Other...</b>	<u>2,295,028</u>	<u>2,303,202</u>	<u>8,174</u>
<b>Fund Balances at Beginning of Year</b>	1,916,246	1,916,246	0
Prior Year Encumbrances Appropriated	0	0	0
<b>Fund Balance at end of Year</b>	<u>\$4,211,274</u>	<u>\$4,219,448</u>	<u>\$8,174</u>

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

Expendable Trust			Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$0	\$0	\$0	\$7,675,719	\$7,673,972	(\$1,747)
0	0	0	193,492	193,078	(414)
0	0	0	9,300	9,131	(169)
0	0	0	51,380	51,607	227
0	0	0	97,365	96,034	(1,331)
0	0	0	1,066,743	1,065,007	(1,736)
0	0	0	9,093,999	9,088,829	(5,170)
0	0	0	2,837,219	2,837,219	0
0	0	0	839,044	839,044	0
0	0	0	272,174	272,174	0
0	0	0	206,404	206,404	0
0	0	0	240,940	240,940	0
0	0	0	17,211	17,211	0
0	0	0	670,441	664,468	5,973
0	0	0	188,185	188,185	0
0	0	0	576,756	576,756	0
0	0	0	76,378	76,378	0
0	0	0	6,397	6,397	0
0	0	0	2,369	2,369	0
0	0	0	199,862	199,862	0
0	0	0	571,939	571,939	0
0	0	0	39,000	39,000	0
0	0	0	99,373	99,373	0
0	0	0	6,843,692	6,837,719	5,973
0	0	0	2,250,307	2,251,110	803
0	0	0	164,359	199,146	34,787
0	0	0	950	926	(24)
(1)	(1)	0	(214,412)	(234,971)	(20,559)
(1)	(1)	0	(49,103)	(34,899)	14,204
(1)	(1)	0	2,201,204	2,216,211	15,007
1	1	0	3,222,803	3,222,803	0
0	0	0	23,756	23,756	0
\$0	\$0	\$0	\$5,447,763	\$5,462,770	\$15,007

**COMBINED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN RETAINED EARNINGS  
PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS  
FOR THE YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Types		Fudiciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Non-Expendable Trust	
<b>Operating Revenues:</b>				
Tuition	\$0	\$18,711	\$0	\$18,711
Sales	81,494	18,325	0	99,819
Other Revenues	350	69,663	0	70,013
<b>Total Operating Revenues</b>	<u>81,844</u>	<u>106,699</u>	<u>0</u>	<u>188,543</u>
<b>Operating Expenses:</b>				
Salaries	85,731	79,227	0	164,958
Fringe Benefits	44,541	23,934	0	68,475
Purchased Services	0	11,060	0	11,060
Materials and Supplies	87,352	5,021	0	92,373
Depreciation	447	0	0	447
Other	0	2,070	0	2,070
Capital Outlay	0	11,565	0	11,565
<b>Total Operating Expenses</b>	<u>218,071</u>	<u>132,877</u>	<u>0</u>	<u>350,948</u>
<b>Operating Income (Loss)</b>	<u>(136,227)</u>	<u>(26,178)</u>	<u>0</u>	<u>(162,405)</u>
<b>Non-Operating Revenues and Expenses:</b>				
Federal Donated Commodities	13,241	0	0	13,241
Federal and State Subsidies	101,426	533	0	101,959
<b>Total Non-Operating Revenues and Expenses</b>	<u>114,667</u>	<u>533</u>	<u>0</u>	<u>115,200</u>
<b>Income (Loss) Before Operating Transfers</b>	<u>(21,560)</u>	<u>(25,645)</u>	<u>0</u>	<u>(47,205)</u>
Operating Transfers-In	21,000	14,023	0	35,023
<b>Net Income (Loss)</b>	<u>(560)</u>	<u>(11,622)</u>	<u>0</u>	<u>(12,182)</u>
Retained Earnings at Beginning of Year	25,453	926	10,550	36,929
<b>Retained Earnings at End of Year</b>	<u>24,893</u>	<u>(10,696)</u>	<u>\$10,550</u>	<u>\$24,747</u>

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

**COMBINED STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS  
 FOR THE YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Non-Expendable Trust	
<b>Increase/(Decrease) in Cash &amp; Cash Equivalents</b>				
<b>Cash Flows from Operating Activities:</b>				
Cash Received from Sales	\$81,494	\$18,325	\$0	\$99,819
Cash Received from Tuition and Fees	0	18,479	0	18,479
Other Cash Receipts	350	61,617	0	61,967
Cash Pmts. to Suppliers for Goods & Service	(68,655)	(5,021)	0	(73,676)
Cash Payments for Contract Services	0	(11,177)	0	(11,177)
Cash Payments for Employee Services	(81,061)	(75,501)	0	(156,562)
Cash Payments for Employee Benefits	(48,251)	(18,094)	0	(66,345)
Other Cash Payments	0	(13,425)	0	(13,425)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>(116,123)</b>	<b>(24,797)</b>	<b>0</b>	<b>(140,920)</b>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Operating Grants Received	96,150	533	0	96,683
Non-Operating Revenue	21,000	14,023	0	35,023
<b>Net Cash Provided by (Used for) Noncapital Financing Activities</b>	<b>117,150</b>	<b>14,556</b>	<b>0</b>	<b>131,706</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Payments for Capital Acquisitions	(21,468)	0	0	(21,468)
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(21,468)</b>	<b>0</b>	<b>0</b>	<b>(21,468)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(20,441)</b>	<b>(10,241)</b>	<b>0</b>	<b>(30,682)</b>
<b>Cash &amp; Cash Equivalents at Beginning of Year</b>	<b>24,809</b>	<b>10,455</b>	<b>10,550</b>	<b>45,814</b>
<b>Cash &amp; Cash Equivalents at End of Year</b>	<b>\$4,368</b>	<b>\$214</b>	<b>\$10,550</b>	<b>\$15,132</b>
<b>Reconciliation of Operating Income (loss) to Net Cash Provided by (Used for) Operating Activities:</b>				
<b>Operating Income (Loss)</b>	(\$136,227)	(\$26,178)	\$0	(\$162,405)
<b>Adjustments to Reconcile Operating Income (loss) To Net Cash Provided by (Used for) Operating Activities:</b>				
Depreciation	447	0	0	447
Donated Commodities Used During the Year	13,241	0	0	13,241
Adjustment to Capital Outlay	3,589	0	0	3,589
<b>(Increase) Decrease in Assets:</b>				
Accounts Receivable	0	(8,278)	0	(8,278)
Material and Supplies Inventory	(783)	0	0	(783)
<b>Increase (Decrease) in Liabilities:</b>				
Compensated Absences Payable	(1,605)	3,684	0	2,079
Intergovernmental Payable	3,791	2,379	0	6,170
Deferred Revenue	2,650	0	0	2,650
Accounts Payable	0	140	0	140
Accrued Wages and Benefits	(1,226)	3,456	0	2,230
Total Adjustments	20,104	1,381	0	21,485
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>(\$116,123)</b>	<b>(\$24,797)</b>	<b>\$0</b>	<b>(\$140,920)</b>

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORT 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 484<sup>th</sup> largest in the State of Ohio (among 611 school districts) in terms of enrollment. The School District is staffed by 39 non-certificated employees and 87 certificated full-time teaching personnel who provide services to 1,084 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 financial 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 deficits of, or provide financial support to the organization; or for 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 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 16 and 17 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.

**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.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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

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 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 expenditures 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).

**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:

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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

**Enterprise Funds**

Enterprise funds are used to account for the 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.

**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.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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

All proprietary funds 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 a 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, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

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

**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.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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

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.

**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.

**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 1999.

**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.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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

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.

**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.

**Lapsing of Appropriations:**

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

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. During fiscal year 1999, investments were limited to repurchase agreements. 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.

For purposes of the combined statement of cash flows and for presentation of 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. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set-aside for budget stabilization, textbooks and instructional materials, and capital maintenance and acquisition reserves.

The textbooks and the capital reserves have several of the same characteristics. These reserves must be calculated and set-aside annually. If the set-aside is not spent in one year it is carried forward to the next year. The reserve must be represented by cash at year end.

The reserve is calculated by multiplying the base amount by a percentage. The base amount represents the sum of certain specific prior fiscal year receipts. The percentage is phased in over three years: 2% for fiscal year 1999, 3% for fiscal year 2000, and 4% for fiscal year 2001 and each year thereafter. In many cases, the amount of the required reserve may be reduced (offset) by resources received during the year whose use is restricted to the purpose of one of the reserves.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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

The calculations for reserves are as follows:

Calculation of fiscal year end textbook reserve

Calculated the required amount of set-aside	
2% of base	\$ 71,886
Add: Carryover from prior year	0
Subtract: Current year's qualifying expenditures	(71,886)
Subtract: The amount received for textbooks and instructional	
Materials under section 50.16 of H.B. 215 of the 122 <sup>nd</sup>	
General Assembly	(14,962)
Total off-sets	<u>(14,962)</u>
Total year end textbook reserve	<u>\$ 0</u>

During fiscal year 1999, the qualifying expenditures and off-sets exceeded the required reserve amount, therefore, no textbook reserve was required for the current fiscal year.

Calculation of fiscal year end capital improvement reserve

Calculated the required amount of set-aside	
2% of base	\$ 71,886
Add: Carryover from prior year	0
Subtract: Current year's qualifying expenditures	(71,886)
Subtract: Permanent improvement levy authorized by	
§ 5705.21 of the Ohio Revised Code	(123,618)
Total off-sets	<u>(123,618)</u>
Total year end capital improvement reserve	<u>\$ 0</u>

During fiscal year 1999, the qualifying expenditures and off-sets exceeded the required reserve amount, therefore, no capital improvement reserve was required for the current fiscal year.

Legislation requires that any refund or reimbursement from the Bureau of Workers' Compensation received during calendar year 1998 be used to meet the 5% budget reserve set-aside requirement. Only after the 5% requirement has been reached may the refund or any portion of a refund remaining after the 5% level has been reached be used for another lawful purpose of the Board.

The Workers' Compensation refund is not a substitute for the 1% contribution required for fiscal year 1999. A contribution would still be required unless the refund satisfied the 5% requirement. A contribution of less than 1% could be made if it is adequate to raise the reserve to the 5% level.

The reserve for budget stabilization is 5% of the base amount. The base amount for budget reserve is the same as the base amount for textbook and capital reserves. Annual contributions of 1% of the base are required until the 5% level is reached.

A contribution is not required if the base for the prior year did not grow by at least 3%. A contribution is not required in any fiscal year in which the School District borrows against its spending reserve to avoid a deficit. The School District is not required to set aside money for budget reserve in any fiscal year in which its percentage growth in Average Daily Membership equals or exceeds its percentage in the base used to calculate the set asides for the preceding fiscal year.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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

The amount of the reserve must be represented by cash at year end. The budget reserve may only be spent if the School District is forecasting a deficit, and the deficit was caused by one of the reasons identified in the rule or the School District is in fiscal watch or emergency. Expenditures of the reserve require permission of the Department of Education

During fiscal year 1998, the School District received a \$34,567 refund from the Bureau of Workers' Compensation. During fiscal year 1999, the School District contributed \$36,000 to meet the 1% requirement. The fund balance reserve of \$70,567 has been established.

**F. 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.

**G. Fixed Assets and Depreciation**

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

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

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

**H. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

**Entitlements**

- General Fund
  - State Foundation Program
  - School Bus Purchase Reimbursement

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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

**Non-Reimbursable Grants**

- Special Revenue Funds
  - Professional Development
  - Early Childhood Education
  - Education Management Information Systems
  - Disadvantaged Pupil Impact Aid
  - Textbooks
  - Miscellaneous State Grants
  - Title VI-B Fund
  - Title I
  - Title VI
  - Drug Free Schools
  - EHA Preschool Grants for the Handicapped
  - Goals 2000 Grant
  
- Capital Projects Funds
  - School Net Plus
  - Technology Equity
  - Emergency Building Repair

**Reimbursable Grants**

- General Fund
  - Driver Education
- Proprietary Funds
  - National School Lunch Program
  - Federal Donated Commodities
  - Government Donated Commodities

Grants and entitlements amounted to approximately eighty-two percent of the School District's operating revenue during the 1999 fiscal year.

**I. 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.

**J. Compensated Absences**

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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

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.

**K. 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.

**L. 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.

**M. Fund Balance Reserves**

The School District records reserves for portions of fund equity, which are legally segregated for 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 are established for encumbrances and contributions to the nonexpendable trust fund that must be kept intact, textbooks and instructional materials, capital improvements and budget stabilization. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

**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, 1999, the Disadvantaged Pupil Impact Aid, Title I, Title VI-B and Rotary Funds had deficit fund balances of \$37,082, \$11,725, \$871, and \$10,696, 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.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(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 is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP 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*

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	(\$101,426)	\$6,795	\$7,641	\$2,303,202	(\$1)
Adjustments for:					
Revenue Accruals	18,887	348	23	831	0
Expenditure Accruals	(76,339)	(1,711)	0	(58,059)	0
Encumbrances	8,912	2,871	0	0	0
GAAP Basis	<u>(\$149,966)</u>	<u>\$8,303</u>	<u>\$7,664</u>	<u>\$2,245,974</u>	<u>(\$1)</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 withdrawable on demand, including negotiable order of withdrawal (NOW) accounts or in money market deposit accounts.*

*Inactive deposits are public deposits 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.*

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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

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

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

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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.

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.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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

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.

At fiscal year end, the School District had \$108,000 in undeposited cash on hand with is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements."

**Deposits** At fiscal year end the carrying amount of the School District's deposits was \$5,530,497 and the bank balance was \$5,607,703. Of the bank balance:

1. \$200,000 was covered by federal depository insurance; and
2. \$5,407,704 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non compliance with federal requirements could potentially subject the County to a successful claim by the Federal Deposit Insurance Corporation.

**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 as of 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 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 semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, 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, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**6. PROPERTY TAXES (Continued)**

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. 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, 1999, was \$838,056 in the General Fund, \$143,421 in the Bond Retirement Debt Service Fund, \$97,109 in the Permanent Improvement Fund \$18,126 in the Classroom Facilities Special Revenue Fund.

The assessed values upon which fiscal year 1999 taxes were collected are:

	1999 First- First Collections		1999 Second- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$25,604,740	75%	\$32,332,540	77%
Public Utility	4,742,660	14%	4,686,510	11%
Tangible Personal Property	3,928,390	11%	4,927,710	12%
<b>Total Assessed Value</b>	<b>\$34,275,790</b>	<b>100%</b>	<b>\$41,946,760</b>	<b>100%</b>
Tax rate per \$1,000 of assessed valuation	\$39.89		\$39.89	

**8. FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Equipment, Vehicle	\$184,314
Less Accumulated Depreciation	<u>156,371</u>
Net Fixed Assets	<u>\$27,943</u>

A summary of the changes in general fixed assets during fiscal year 1999 follows:

Asset Category	Balance at 7/1/98	Additions	Deletions	Balance at 6/30/99
Land and Improvements	\$384,284	\$126,000	\$0	\$510,284
Buildings and Improvements	2,401,124	6,727	0	2,407,851
Furniture, Fixtures and Equipment	1,366,393	48,038	3,142	1,411,289
Vehicles	<u>321,833</u>	<u>11,565</u>	<u>53,920</u>	<u>279,478</u>
<b>Totals</b>	<b>\$4,473,634</b>	<b>\$192,330</b>	<b>\$57,062</b>	<b>\$4,608,902</b>

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**8. RECEIVABLES**

Receivables at June 30, 1999, 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 principle items of intergovernmental receivables follows:

	Amounts
General Fund	
Taxes	\$853,605
Accounts	480
Accrued Interest	19,302
Special Revenue Funds	
Taxes	18,514
Accounts	700
Debt Service	
Taxes	146,439
Capital Project	
Taxes	99,721
Accounts	862
Enterprise	
Intergovernmental	15,429
Internal Service	
Accounts	8,278
Trust and Agency	
Accounts	104
Total Receivables	\$1,163,434

**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 1999, the School District's insurance coverage through Wausau Insurance Corporation was as follows:

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**9. RISK MANAGEMENT (Continued)**

Type of Coverage	Deductible	Liability Limit
Building and Contents	\$1,000	\$10,346,556
Automobile Liability	100	1,000,000
Uninsured Motorists	0	1,000,000
General Liability		
General Liability		
Per occurrence	0	1,000,000
Total per year	0	5,000,000
Umbrella Liability		
Per occurrence	0	2,000,000

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

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**10. DEFINED BENEFIT PENSION 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. School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634 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 School District rate is 14 percent of 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 to SERS for the years ended June 30, 1999, 1998 and 1997 were \$106,470, \$105,552 and \$104,250, respectively; 49 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$54,426 representing unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds and the general long-term obligations account.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**10. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. State Teachers Retirement System**

The Wellsville Local School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. The plan offers comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, or by calling (614)227-4090

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 1999 were 9.3 percent of covered payroll for members and 14 percent for employers. Contribution rates are established by State Teachers Retirement System, upon recommendations of its actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$449,537, \$426,132 and \$415,932, respectively; 82 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$78,684 represents the unpaid contribution for fiscal year 1999 and 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, 1999, all members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**11. POSTEMPLOYMENT BENEFITS**

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

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

The Retirement Board allocates employer contributions equal to 2 percent of covered payroll to the Health Care Reserve Fund from which health care benefits are paid. However, for the fiscal year ended June 30, 1998, the board allocated employer contributions equal to 3.5 percent of covered payroll to Health Care Reserve Fund. The balance of the Health Care Reserve Fund was \$2,156 million on June 30, 1998. The Health Care Reserve Fund allocation for the year ended June 30, 1999 will be 8 percent of covered payroll.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**11. POSTEMPLOYMENT BENEFITS (Continued)**

For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000. There were 91,999 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 1999, the allocation rate is 4.98 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay was established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998 were \$111,900,575 and the target level was \$139.9 million. AT June 30, 1998, the Retirement System's net assets available for payment of health care benefits were \$160.3 million. The number of participants currently receiving health care benefits is approximately 50,000.

The portion of the employer's contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .3557 then adding the surcharge due as of June 30, 1998, as certified to the District by SERS.

**12. EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 212 days for classified employees and 220 days for certificated employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 53 days for classified employees and 58 days for all 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.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
(Continued)

**12. EMPLOYEE BENEFITS (Continued)**

**C. Retirement Incentive Plan Bonus Payment**

In addition to severance pay, a \$2,000 bonus will be paid to any certificated employee at the time of his/her retirement from the School District and acceptance of receipt of retirement benefits by the State Teachers Retirement System. An additional \$5,000 was paid to any certificated employee who retired by June 13, 1998.

**13. LONG-TERM OBLIGATIONS**

The School District leases a copier under a noncancelable operating lease. Total costs for the lease is \$14,300 for the year ended June 30, 1999. The future minimum lease payments as of June 30, 1999 are as follows:

Fiscal Year Ending June 30	Amount
2000	\$ 15,600
2001	15,600
2002	<u>6,500</u>
Total	<u>\$37,700</u>

**14. LONG TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	Principal Outstanding 7/1/98	Additions	Deductions	Principal Outstanding 6/30/99
School Improvement Bonds	\$1,709,000	\$0	\$39,000	\$1,670,000
Pension Obligation	42,818	0	3,253	39,565
Compensated Absences	449,913	15,207	0	465,120
Total General Long-Term Obligations	\$2,201,731	\$15,207	\$42,253	\$2,174,685

**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 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 \$2,105,208 with an unvoted debt margin of \$41,947 at June 30, 1999.

Principal and interest requirements to retire general obligation debt, including notes outstanding at June 30, 1999, are as follows:

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
(Continued)

**14. LONG TERM OBLIGATIONS (Continued)**

Fiscal year Ending June 30,	Principal	Interest	Total
2000	\$40,000	\$90,815	\$130,815
2001	45,000	89,055	134,055
2002	45,000	87,008	132,008
2003	50,000	84,870	134,870
2004	50,000	82,395	132,395
2005-2009	300,000	369,930	669,930
2010-2014	385,000	280,158	665,158
2105-2019	510,000	159,330	669,330
2020-2021	245,000	20,904	265,904
Total	<u>\$1,670,000</u>	<u>\$1,264,465</u>	<u>\$2,934,465</u>

**15. 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, 1999.

	Food Service	Adult Education	Total Enterprise Funds
Operating Revenues	\$81,844	\$0	\$81,844
Operating Expenses	217,624	0	217,624
Depreciation Expense	447	0	447
Operating Income (Loss)	(136,227)	0	(136,227)
Donated Commodities	13,241	0	13,241
Grants	101,426	0	101,426
Operating Transfers-In	21,000	0	21,000
Net Income (Loss)	(560)	0	(560)
Net Working Capital	(6,391)	3,341	(3,050)
Total Assets	53,488	3,341	56,829
Total Liabilities	31,936	0	31,936
Total Equity	21,552	3,341	21,893

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**16. JOINTLY GOVERNED ORGANIZATION**

**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, Charlene Mercure, who serves as Treasurer, at 9364 State Route 45, Lisbon, Ohio 44432.

**17. 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.

**18. 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. 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, 1999.

**19. STATE SCHOOL FUNDING DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$4,322,397 of school foundation support for all general fund.

Since the Supreme Court Ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County is currently reviewing the new laws, and in a decision issued on February 2, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The decision made by the Court of Common Pleas is likely to be appealed.

The School District received a \$500,000 grant from the Ohio School Facilities Commission for emergency repairs. Three projects have been approved by the School District.

Elevator additions to two elementary schools were approved on January 11, 1999. The total cost of the project, including change orders, is \$184,760. The project expenses through June 30, 1999 were \$130,510.

A windows and drive in project were approved on April 26, 1999. The estimated cost of the project, including change orders, is \$184,760. The project expenses through June 30, 1999 were \$8,831.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**19. STATE SCHOOL FUNDING DECISION (Continued)**

A ceiling replacement project was approved on July 2, 1999. The estimated cost of the project is \$69,898.

The School District is participating in the Ohio Facilities Commission Building Program. The School District will receive state funds of \$10,868,900 and \$1,709,000 from local participation.

The Architect's contract was approved on June 8, 1998. Several other contracts amounting \$8,726,754 were awarded on July 27, 1999. The construction of the new high school has begun. Costs incurred to June 30, 1999 were \$350,917. The estimated date is September 1, 2000.

Repairs will be made to the existing high school and junior high school but no contracts have been awarded for this project.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under these programs and on its financial operations.

**20. YEAR 2000**

The Year 2000 issue is a result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations as early as fiscal year 1999.

The Wellsville Local School District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting through the State's Education Management and Information System (EMIS).

The financial reporting and payroll systems software are purchased from Ace Software Inc. Ace Software Inc. is responsible for remediating these systems. Ace Software Inc. reports that they use a four digit year throughout their system and the year 2000 will be absolutely no problem for their software. The District reports that its computer systems and electronic equipment critical to conducting financial reporting and payroll operations have been tested and validated.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grant payment. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediation these systems. The State is solely responsible for any costs associated with the Foundation and grant processing and EMIS systems.

Columbiana County collects property taxes for distribution to the Wellsville Local School District. Columbiana County is solely responsible for any costs associated with the tax collection and the distribution system project.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the School District is or will be successful in whole or in part, or that parties with whom the School District does business will be Year 2000 ready.

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 1999**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	03-PU-99	10.550	\$0	\$15,891	\$0	\$13,241
National School Lunch Program	04-PU-99	10.555	76,092	0	76,092	0
National School Breakfast Program	05-PU-99	10.553	14,133	0	14,133	0
Special Milk Program	02-PU-99	10.556	186	0	186	0
Total U.S. Department of Agriculture - Nutrition Cluster			<u>90,411</u>	<u>15,891</u>	<u>90,411</u>	<u>13,241</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States						
Title VI-B Flow Through	6B-SF-98	84.027	0	0	11,275	0
	6B-SF-99		70,700	0	65,008	0
Special Education - Preschool Grant			0	0	3,458	0
	PG-S1-98	84.173	<u>2,028</u>	<u>0</u>	<u>2,028</u>	<u>0</u>
Total Special Education Cluster			<u>72,728</u>		<u>81,769</u>	
Goals 2000 Grant						
	G2-S1-97	84.276	0	0	6,218	0
	G2-S1-99		<u>10,000</u>	<u>0</u>	<u>300</u>	<u>0</u>
Total Goals 2000 Grant			<u>10,000</u>	<u>0</u>	<u>6,518</u>	<u>0</u>
Grants to Local Educational Agencies (ESEA Title I)						
	C1-S1-98	84.010	10,684	0	42,756	0
	C1-S1-99		<u>278,934</u>	<u>0</u>	<u>252,766</u>	<u>0</u>
Total Title I			<u>289,618</u>	<u>0</u>	<u>295,522</u>	<u>0</u>
Innovative Educational Program Strategies						
	C2-S1-98	84.298	0	0	4,186	0
	C2-S1-99		<u>4,055</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Innovative Educational Programs			<u>4,055</u>	<u>0</u>	<u>4,186</u>	<u>0</u>
Drug-Free Schools Grant						
	DR-S1-98	84.186	0	0	1,447	0
	DR-S1-99		<u>5,530</u>	<u>0</u>	<u>4,911</u>	<u>0</u>
Total Drug Free School Grant			<u>5,530</u>	<u>0</u>	<u>6,358</u>	<u>0</u>
E-Rate Grant						
	n/a	84.XXX	10,419	0	10,419	0
Total Department of Education			<u>392,350</u>	<u>0</u>	<u>404,772</u>	<u>0</u>
<b>Totals</b>			<u><b>\$482,761</b></u>	<u><b>\$15,891</b></u>	<u><b>\$495,183</b></u>	<u><b>\$13,241</b></u>

*The notes to the schedule of federal awards receipts and expenditures are an integral part of this statement.*

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
JUNE 30, 1999**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.



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

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

To the Board of Education:

We have audited the financial statements of Wellsville Local School District, Columbiana County, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 17, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the 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 District in a separate letter dated December 17, 1999.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected in 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. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the District in a separate letter dated December 17, 1999.

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

This report is intended for the information and use of 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.



**JIM PETRO**  
Auditor of State

December 17, 1999



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

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

To the Board of Education:

**Compliance**

We have audited the compliance of Wellsville Local School District, Columbiana County (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. Wellsville Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

### Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters 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 for the information and use of, 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.



**JIM PETRO**  
Auditor of State

December 17, 1999

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

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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(d)(1)(i)	Type of Financial Statement Opinion.	UNQUALIFIED
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level. (GAGAS)?	NO
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level. (GAGAS)?	NO
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	NO
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	NO
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	NO
(d)(1)(v)	Type of Major Programs' Compliance Opinion.	UNQUALIFIED
(d)(1)(vi)	Are there any reportable findings under § .510?	NO
(d)(1)(vii)	Major Programs (list): Title I	CFDA#84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs:	A>\$300,000 B-ALL REMAINING PROGRAMS
(d)(1)(ix)	Low Risk Auditee?	YES

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

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<i>Finding Number</i>	
NONE	

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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<i>Finding Number</i>	
NONE	



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OFFICE OF THE AUDITOR

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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.

By: Susan Babbitt  
Clerk of the Bureau

Date: JAN 27 2000