



**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2001**



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

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**STATE OF OHIO**



**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Combined Balance Sheet - All Fund Types and Account Groups .....	4
Combined Statement of Revenues, Expenditures and Changes In Fund Balances - All Governmental Fund Types .....	6
Combined Statement of Revenues, Expenditures and Changes In Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) All Governmental Fund Types .....	8
Combined Statement of Revenues, Expenses and Changes in Fund Equity - All Proprietary and Similar Fiduciary Fund Types .....	11
Combined Statement of Cash Flows - All Proprietary and Similar Fiduciary Fund Types .....	12
Notes to the General-Purpose Financial Statements .....	13
Schedule of Federal Awards Expenditures .....	33
Notes to Schedule of Federal Awards Expenditures .....	34
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	35
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 .....	37
Schedule of Findings .....	39

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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, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Wellsville Local School District, Columbiana County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type and its nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our 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 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 14, 2001

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**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2001**

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$546,797	\$178,114	\$123,646	\$1,434,822
Receivables:				
Taxes	904,079	19,206	157,367	142,636
Accounts	336			
Intergovernmental		33,743		
Accrued Interest	5,204			3,397
Interfund Receivable	8,506			
Materials and Supplies Inventory				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	70,567			
Fixed Assets				
Accumulated Depreciation				
<b>Other Debits:</b>				
Amount in Debt Service Fund for Retirement of Provided from General Government Resources				
<b>Total Assets and Other Debits</b>	<u>\$1,535,489</u>	<u>\$231,063</u>	<u>\$281,013</u>	<u>\$1,580,855</u>
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>				
<b>Liabilities:</b>				
Accounts Payable	\$58,337	\$230		
Accrued Wages and Benefits	518,972	97,876		
Compensated Absences Payable	5,106	879		
Interfund Payable		4,483		
Intergovernmental Payable	74,926	12,315		
Deferred Revenue	898,235	52,949	\$154,286	\$141,694
Due to Students				
Capital Leases Payable				
General Obligation Bonds Payable				
<b>Total Liabilities</b>	<u>1,555,576</u>	<u>168,732</u>	<u>154,286</u>	<u>141,694</u>
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved:				
Reserved for Encumbrances	9,733	2,479		
Reserved for Debt Service Principal			123,646	
Reserved for Advances	8,506			
Reserved for Property Taxes	5,844		3,081	942
Reserved for Budget Stabilization	70,567			
Unreserved:				
Unreserved, Undesignated	(114,737)	59,852		1,438,219
<b>Total Fund Equity and Other Credits</b>	<u>(20,087)</u>	<u>62,331</u>	<u>126,727</u>	<u>1,439,161</u>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<u>\$1,535,489</u>	<u>\$231,063</u>	<u>\$281,013</u>	<u>\$1,580,855</u>

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

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$2,742	\$11,367	\$40,735			\$2,338,223
					1,223,288
14,727	15,237				30,300
15,882					49,625
					8,601
					8,506
6,214					6,214
					70,567
184,314			\$17,129,105		17,313,419
(158,159)					(158,159)
				\$123,646	123,646
				2,106,399	2,106,399
<u>\$65,720</u>	<u>\$26,604</u>	<u>\$40,735</u>	<u>\$17,129,105</u>	<u>\$2,230,045</u>	<u>\$23,120,629</u>
\$8,827	\$544	\$1,125			\$69,063
13,459					630,307
5,920	2,310			\$573,614	587,829
4,024					8,507
6,622	4,259			40,170	138,292
4,309					1,251,473
		29,060			29,060
				31,261	31,261
				1,585,000	1,585,000
<u>43,161</u>	<u>7,113</u>	<u>30,185</u>		<u>2,230,045</u>	<u>4,330,792</u>
			\$17,129,105		17,129,105
22,559	19,491				42,050
					12,212
					123,646
					8,506
					9,867
					70,567
		10,550			1,393,884
<u>22,559</u>	<u>19,491</u>	<u>10,550</u>	<u>17,129,105</u>		<u>18,789,837</u>
<u>\$65,720</u>	<u>\$26,604</u>	<u>\$40,735</u>	<u>\$17,129,105</u>	<u>\$2,230,045</u>	<u>\$23,120,629</u>

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types		Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Revenues:</b>					
Intergovernmental	\$4,428,646	\$749,019	\$18,012	\$142,962	\$5,338,639
Interest	124,088			156,556	280,644
Tuition and Fees	2,830				2,830
Rent	148				148
Extracurricular Activities	15,119	81,460			96,579
Gifts and Donations	1,095	1,668			2,763
Property & Other Local Taxes	789,315	17,632	137,479	122,317	1,066,743
Miscellaneous	16,780	15,105			31,885
<b>Total Revenues</b>	<b>5,378,021</b>	<b>864,884</b>	<b>155,491</b>	<b>421,835</b>	<b>6,820,231</b>
<b>Expenditures:</b>					
Instruction:					
Regular	2,802,927	305,545		35,756	3,144,228
Special	503,452	275,066			778,518
Vocational	296,363				296,363
Support services:					
Pupils	191,326	58,314		238,355	487,995
Instructional Staff	110,208	95,166			205,374
Board of Education	17,523				17,523
Administration	653,522	52,594		13,261	719,377
Fiscal	187,101	12,032	2,906	4,268	206,307
Operation and Maintenance of Plant	671,414			6,500	677,914
Pupil Transportation	139,997				139,997
Extracurricular activities	117,025	87,194			204,219
Capital Outlay	45,338			4,180,463	4,225,801
Debt Service					
Debt Service - Principal	14,077		45,000		59,077
Debt Service - Interest	1,965		88,031		89,996
<b>Total Expenditures</b>	<b>5,752,238</b>	<b>885,911</b>	<b>135,937</b>	<b>4,478,603</b>	<b>11,252,689</b>
Excess of Revenues Over (Under) Expenditures	(374,217)	(21,027)	19,554	(4,056,768)	(4,432,458)
<b>Other Financing Sources and Uses</b>					
Operating Transfers In		25,267			25,267
Refund of Prior Year Expenditures	18,218				18,218
Inception of Capital Lease	45,338				45,338
Other Financing Sources		4,300			4,300
Operating Transfer Out	(25,267)				(25,267)
Refund of Prior Year Receipts				(239)	(239)
<b>Total Other Financing Sources (Uses)</b>	<b>38,289</b>	<b>29,567</b>		<b>(239)</b>	<b>67,617</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(335,928)	8,540	19,554	(4,057,007)	(4,364,841)
Fund Balance at Beginning of Year	315,841	53,791	107,173	5,496,168	5,972,973
<b>Fund Balance at End of Year</b>	<b>(\$20,087)</b>	<b>\$62,331</b>	<b>\$126,727</b>	<b>\$1,439,161</b>	<b>\$1,608,132</b>

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

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**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Governmental Fund Types</u>		
	<u>General</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance: Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Intergovernmental	\$4,330,507	\$4,434,946	\$104,439
Interest	170,000	118,977	(\$51,023)
Tuition and Fees	7,000	7,052	\$52
Rent	200	148	(\$52)
Extracurricular Activities	20,000	15,151	(\$4,849)
Gifts and Donations	1,100	1,095	(\$5)
Property & Other Local Taxes	774,663	797,918	\$23,255
Miscellaneous	17,000	16,444	(\$556)
<b>Total Revenues</b>	<u>5,320,470</u>	<u>5,391,731</u>	<u>\$71,261</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	2,851,454	2,818,179	33,275
Special	553,501	510,279	43,222
Vocational	332,391	293,551	38,840
Support services:			
Pupils	215,200	186,161	29,039
Instructional Staff	142,651	108,334	34,317
Board of Education	37,300	14,330	22,970
Administration	713,632	690,366	23,266
Fiscal	269,650	213,705	55,945
Operation and Maintenance of Plant	854,617	684,884	169,733
Pupil Transportation	128,752	139,916	(11,164)
Central	1,000		1,000
Extracurricular activities	121,575	117,027	4,548
Non Instructional:			
Food Service	1,000		1,000
Capital Outlay			
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
<b>Total Expenditures</b>	<u>6,222,723</u>	<u>5,776,732</u>	<u>445,991</u>
Excess of Revenues Over (Under) Expenditures	<u>(902,253)</u>	<u>(385,001)</u>	<u>517,252</u>
<b>Other Financing Sources and (Uses)</b>			
Operating Transfers In			
Refund of Prior Year Expenditures	18,218	18,218	
Advances In	64,211	64,211	
Other Financing Sources			
Refund of Prior Year Receipts			
Operating Transfers Out		(25,267)	(25,267)
Advances Out		(8,506)	(8,506)
<b>Total Other Financing Sources (Uses)</b>	<u>82,429</u>	<u>48,656</u>	<u>(33,773)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(819,824)	(336,345)	483,479
Fund Balances at Beginning of Year	890,389	890,389	
Prior Year Encumbrances Appropriated	9,341	9,341	
<b>Fund Balance at end of Year</b>	<u>\$79,906</u>	<u>\$563,385</u>	<u>\$483,479</u>

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

Governmental Fund Types					
Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$731,806	\$749,019	\$17,213	\$0	\$18,012	\$18,012
54,694	81,460	\$26,766			
1,890	1,668	(\$222)			
19,000	17,632	(\$1,368)	145,776	137,174	(\$8,602)
16,000	15,105	(\$895)			
<u>823,390</u>	<u>864,884</u>	<u>\$41,494</u>	<u>145,776</u>	<u>155,186</u>	<u>\$9,410</u>
258,395	309,787	(51,392)			
303,358	270,502	32,856			
40,199	51,386	(11,187)			
86,589	98,017	(11,428)			
100,454	52,126	48,328			
6,537	12,289	(5,752)	3,000	2,906	94
65,700		65,700			
134,543	88,033	46,510			
			45,000	45,000	
			202,174	88,031	114,143
<u>995,775</u>	<u>882,140</u>	<u>113,635</u>	<u>250,174</u>	<u>135,937</u>	<u>114,237</u>
<u>(172,385)</u>	<u>(17,256)</u>	<u>155,129</u>	<u>(104,398)</u>	<u>19,249</u>	<u>123,647</u>
	25,267	25,267			
	4,483	4,483			
4,300	4,300				
	(1,229)	(1,229)			
<u>4,300</u>	<u>32,821</u>	<u>28,521</u>			
(168,085)	15,565	183,650	(104,398)	19,249	123,647
160,071	160,071		104,397	104,397	
<u>(\$8,014)</u>	<u>\$175,636</u>	<u>\$183,650</u>	<u>(\$1)</u>	<u>\$123,646</u>	<u>\$123,647</u>

(Continued)

WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types			Totals (Memorandum Only)		
	Capital Projects		Variance: Favorable (Unfavorable)			Variance: Favorable (Unfavorable)
	Budget	Actual				
<b>Revenues:</b>						
Intergovernmental	\$106,792	\$301,069	\$194,277	\$5,169,105	\$5,503,046	\$333,941
Interest	170,000	153,159	(\$16,841)	340,000	272,136	(\$67,864)
Tuition and Fees				7,000	7,052	\$52
Rent				200	148	(\$52)
Extracurricular Activities				74,694	96,611	\$21,917
Gifts and Donations				2,990	2,763	(\$227)
Property & Other Local Taxes	140,000	124,140	(\$15,860)	1,079,439	1,076,864	(\$2,575)
Miscellaneous				33,000	31,549	(\$1,451)
<b>Total Revenues</b>	<b>416,792</b>	<b>578,368</b>	<b>\$161,576</b>	<b>6,706,428</b>	<b>6,990,169</b>	<b>\$283,741</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	54,000	35,756	18,244	3,163,849	3,163,722	127
Special				856,859	780,781	76,078
Vocational				332,391	293,551	38,840
Support services:						
Pupils	168,025	238,355	(70,330)	423,424	475,902	(52,478)
Instructional Staff				229,240	206,351	22,889
Board of Education				37,300	14,330	22,970
Administration		13,500	(13,500)	814,086	755,992	58,094
Fiscal	3,000	4,268	(1,268)	282,187	233,168	49,019
Operation and Maintenance of Plant	36,404	6,500	29,904	956,721	691,384	265,337
Pupil Transportation	10,000		10,000	138,752	139,916	(1,164)
Central						
Extracurricular activities				256,118	205,060	51,058
Non Instructional:						
Food Service						
Capital Outlay	6,315,986	5,145,445	1,170,541	6,315,986	5,145,445	1,170,541
Debt Service						
Debt Service - Principal				45,000	45,000	
Debt Service - Interest				202,174	88,031	114,143
<b>Total Expenditures</b>	<b>6,587,415</b>	<b>5,443,824</b>	<b>1,143,591</b>	<b>14,054,087</b>	<b>12,238,633</b>	<b>1,815,454</b>
Excess of Revenues Over (Under) Expenditures	(6,170,623)	(4,865,456)	1,305,167	(7,347,659)	(5,248,464)	2,099,195
<b>Other Financing Sources and (Uses)</b>						
Operating Transfers In					25,267	25,267
Refund of Prior Year Expenditures				18,218	18,218	
Advances In				64,211	68,694	4,483
Other Financing Sources				4,300	4,300	
Refund of Prior Year Receipts		(239)	(239)		(239)	(239)
Operating Transfers Out					(25,267)	(25,267)
Advances Out		(62,982)	(62,982)		(72,717)	(72,717)
<b>Total Other Financing Sources (Uses)</b>		<b>(63,221)</b>	<b>(63,221)</b>	<b>86,729</b>	<b>18,256</b>	<b>(68,473)</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(6,170,623)	(4,928,677)	1,241,946	(7,260,930)	(5,230,208)	2,030,722
Fund Balances at Beginning of Year	6,233,842	6,233,842		7,388,699	7,388,699	
Prior Year Encumbrances Appropriated	129,657	129,657		138,998	138,998	
<b>Fund Balance at end of Year</b>	<b>\$192,876</b>	<b>\$1,434,822</b>	<b>\$1,241,946</b>	<b>\$266,767</b>	<b>\$2,297,489</b>	<b>\$2,030,722</b>

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

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND EQUITY  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<b>Totals (Memorandum Only)</b>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non-Expendable Trust</u>	
<b>Operating Revenues:</b>				
Sales	\$64,704	\$9,350		\$74,054
Other		105,188		105,188
<b>Total Operating Revenues</b>	<u>64,704</u>	<u>114,538</u>		<u>179,242</u>
<b>Operating Expenses</b>				
Salaries	78,532	61,063		139,595
Fringe Benefits	28,637	20,109		48,746
Purchased Services	44	12,979		13,023
Materials and Supplies	85,277	10,631		95,908
Depreciation	894			894
Other		88		88
<b>Total Operating Expenses</b>	<u>193,384</u>	<u>104,870</u>		<u>298,254</u>
<b>Operating Income (Loss)</b>	<u>(128,680)</u>	<u>9,668</u>		<u>(119,012)</u>
<b>Non-Operating Revenues and Expenses</b>				
Federal Donated Commodities	14,975			14,975
Federal and State Subsidies	112,851	11,757		124,608
<b>Total Non-Operating Revenues and Expenses</b>	<u>127,826</u>	<u>11,757</u>		<u>139,583</u>
<b>Net Income (Loss)</b>	<u>(854)</u>	<u>21,425</u>		<u>20,571</u>
<b>Retained Earnings/Fund Balance at Beginning of Year</b>	<u>23,413</u>	<u>(1,934)</u>	<u>\$10,550</u>	<u>32,029</u>
<b>Retained Earnings/Fund Balance at End of Year</b>	<u><b>\$22,559</b></u>	<u><b>\$19,491</b></u>	<u><b>\$10,550</b></u>	<u><b>\$52,600</b></u>

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

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<b>Totals (Memorandum Only)</b>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
<b>Increase (Decrease) in Cash and Cash Equivalents</b>				
Cash Flows from Operating Activities:				
Cash Received from Sales	\$49,998	\$9,350		\$59,348
Other Cash Receipts	(21)	89,951		89,930
Cash Payments to Suppliers for Goods and Service	(61,313)	(10,987)		(72,300)
Cash Payments for Contract Services	(44)	(12,979)		(13,023)
Cash Payments for Employee Services	(75,223)	(66,045)		(141,268)
Cash Payments for Employee Benefits	(30,222)	(16,356)		(46,578)
Other Cash Payments		(646)		(646)
Net Cash Provided (Used) by Operating Activities	<u>(116,825)</u>	<u>(7,712)</u>		<u>(124,537)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Operating Grants Received	96,969	11,757		108,726
Advances In	4,024			4,024
Net Cash Provided (Used) by Noncapital Financing Activities	<u>100,993</u>	<u>11,757</u>		<u>112,750</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(15,832)	4,045		(11,787)
Cash and Cash Equivalents at Beginning of Year	<u>18,574</u>	<u>7,322</u>	<u>\$10,550</u>	<u>36,446</u>
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$2,742</u></b>	<b><u>\$11,367</u></b>	<b><u>\$10,550</u></b>	<b><u>\$24,659</u></b>
<b>Reconciliation of Operating Income (Loss) to Net</b>				
Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	(\$128,680)	\$9,668		(\$119,012)
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:				
Depreciation	894			894
Donated Commodities Used During the Year	14,975			14,975
(Increase) Decrease in Assets:				
Accounts Receivable	(14,727)	(15,237)		(29,964)
Material and Supplies Inventory	92			92
Increase (Decrease) in Liabilities:				
Accounts Payable	8,827	(913)		7,914
Compensated Absences Payable	3,701	(2,402)		1,299
Intergovernmental Payable	(1,686)	3,753		2,067
Deferred Revenue	70			70
Accrued Wages and Benefits	(291)	(2,581)		(2,872)
Total Adjustments	<u>11,855</u>	<u>(17,380)</u>		<u>(5,525)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>(\$116,825)</u></b>	<b><u>(\$7,712)</u></b>		<b><u>(\$124,537)</u></b>
<b>Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 2001:</b>				
Cash and Cash Equivalents — Trust and Agency Funds				\$40,735
Less: Agency Funds				<u>(30,185)</u>
<b>Cash and Cash Equivalents — Nonexpendable Trust Funds</b>				<b><u>\$10,550</u></b>

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

**Wellsville Local School District  
Columbiana County**

**Notes to the General Purpose Financial Statements  
June 30, 2001**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District was established in 1875 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 10 square miles. It is located in Columbiana County, and includes the Village of Wellsville and portions of Madison and Yellow Creek Townships. The School District is the 494th 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 86 certificated full-time teaching personnel who provide services to 1,028 students and other community members. The School District currently operates 5 instructional buildings.

*Reporting Entity:*

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

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

The School District is associated with two organizations, which are defined as a jointly governed organization and an insurance purchasing pool. These organizations include the Columbiana County Career Center and the Ohio School Boards Association Worker's Compensation Group Rating Plan. These organizations are presented in Notes 18 and 19 to the general purpose financial statements.

**NOTE 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.

**Wellsville Local School District  
Columbiana County**

**Notes to the General Purpose Financial Statements  
June 30, 2001  
(Continued)**

**NOTE 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.

*Governmental Fund Types:*

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

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

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

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

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

*Proprietary Fund Types:*

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

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

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

**Wellsville Local School District  
Columbiana County**

**Notes to the General Purpose Financial Statements  
June 30, 2001  
(Continued)**

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

*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.

*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.

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

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

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

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

**Wellsville Local School District  
Columbiana County**

**Notes to the General Purpose Financial Statements  
June 30, 2001  
(Continued)**

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

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2001, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 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.

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.

**Wellsville Local School District  
Columbiana County**

**Notes to the General Purpose Financial Statements  
June 30, 2001  
(Continued)**

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

*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 2001.

*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 level of expenditures in the General Fund and at the fund level of expenditures for all other funds, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

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

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

*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.

**Wellsville Local School District  
Columbiana County**

**Notes to the General Purpose Financial Statements  
June 30, 2001  
(Continued)**

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

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. During fiscal year 2001, investments were limited to Star Ohio. All investments of the School District had a maturity of two years or less. Investments are stated at cost or amortized cost. Investment earnings are allocated as authorized by State statute.

Star Ohio is an investment pool maintained by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. Star Ohio is not registered with the SEC as an investment company but does operate in a manner consistent with rule 227 of the Investment Act of 1940. Investments in Star Ohio are valued at Star Ohio's share price, which is the price the investment could be sold for on June 30, 2001.

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

**E. Inventory**

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

**F. Fixed Assets and Depreciation**

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

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

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

**G. Interfund Assets/Liabilities**

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

**Wellsville Local School District  
Columbiana County**

**Notes to the General Purpose Financial Statements  
June 30, 2001  
(Continued)**

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

**H. Compensated Absences**

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

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

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

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

**J. Interfund Transactions**

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

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

**K. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 19 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**Wellsville Local School District  
Columbiana County**

**Notes to the General Purpose Financial Statements  
June 30, 2001  
(Continued)**

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

**L. Fund Balance Reserves**

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

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

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

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

**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year 2001, the District has implemented GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Recipient Report Certain Shared Nonexchange Revenues." At June 30, 2000, there was no effect on fund balance as a result of implementing GASB statements 33 and 36.

**NOTE 4 – ACCOUNTABILITY**

At June 30, 2001, the General Fund, Disadvantaged Pupil Impact Aid Fund, Title VI-B Fund, Title I Fund, and Drug Free School Fund had deficit fund balances of \$13,820, \$48,005, \$24,426, \$37,407, and \$1,359 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.

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

**Wellsville Local School District  
Columbiana County**

**Notes to the General Purpose Financial Statements  
June 30, 2001  
(Continued)**

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING – (Continued)**

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

	General	Special Revenue	Debt Service	Capital Projects
Budget Basis	(\$336,345)	\$15,565	\$19,249	(\$4,928,677)
Adjustments for:				
Revenue Accruals	(13,710)		305	(156,533)
Expenditure Accruals	14,761	(6,250)		965,221
Other Accruals	(10,367)	(3,254)		62,982
Encumbrances	9,733	2,479		
GAAP Basis	<u>(\$335,928)</u>	<u>\$8,540</u>	<u>\$19,554</u>	<u>(\$4,057,007)</u>

**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

**Wellsville Local School District  
Columbiana County**

**Notes to the General Purpose Financial Statements  
June 30, 2001  
(Continued)**

**NOTE 6 - DEPOSITS AND INVESTMENTS – (Continued)**

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

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

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

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

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

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

*Deposits:* At fiscal year end, the carrying amount of the School District's deposits was \$2,292,364 and the bank balance was \$2,690,263. Of the bank balance, \$100,000 was covered by federal depository insurance and \$2,590,263 was uninsured and uncollateralized. Although all State statutory requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**Wellsville Local School District  
Columbiana County**

**Notes to the General Purpose Financial Statements  
June 30, 2001  
(Continued)**

**NOTE 6 - DEPOSITS AND INVESTMENTS – (Continued)**

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

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

	Cash and Cash Equivalents	Investments
GASB Statement 9	\$2,408,790	
STAR Ohio	(116,426)	\$116,426
GASB Statement 3	\$2,292,364	\$116,426

**NOTE 7 - PROPERTY TAXES**

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

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

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

The School District receives property taxes from Columbiana County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Wellsville Local School District  
Columbiana County**

**Notes to the General Purpose Financial Statements  
June 30, 2001  
(Continued)**

**NOTE 7 - 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, 2001. 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, 2001, was \$5,844 in the General Fund, \$3,081 in the Bond Retirement Debt Service Fund, and \$942 in the Permanent Improvement Fund.

The assessed values upon which fiscal year 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$32,174,710	80%	\$32,174,710	80%
Public Utility	4,576,020	12%	4,576,020	12%
Tangible Personal Property	3,367,070	8%	3,367,070	8%
Total Assessed Value	<u>\$40,117,800</u>	<u>100%</u>	<u>\$40,117,800</u>	<u>100%</u>
Tax rate per \$1,000 of Assessed valuation	\$39.89		\$39.89	

**NOTE 8 – INTERFUND ACTIVITY**

As of June 30, 2001, receivables and payables that resulted from various interfund transactions were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
<b>General Fund</b>	<b>\$8,506</b>	
<b>Special Revenue Fund</b>		
<b>Title VI</b>		<b>\$3,125</b>
<b>Drug Free Schools</b>		<b>1,358</b>
<b>Enterprise</b>		
<b>Food Service</b>	<u>          </u>	<u><b>4,023</b></u>
<b>Totals</b>	<b><u>\$8,506</u></b>	<b><u>\$8,506</u></b>

**Wellsville Local School District  
Columbiana County**

**Notes to the General Purpose Financial Statements  
June 30, 2001  
(Continued)**

**NOTE 9 - RECEIVABLES**

Receivables at June 30, 2001, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of receivables follows:

	Amounts
General Fund	
Taxes	\$904,079
Accounts	336
Accrued Interest	5,204
Special Revenue Funds	
Taxes	19,206
Intergovernmental	33,743
Debt Service	
Taxes	157,367
Capital Projects	
Taxes	142,636
Accrued Interest	3,397
Enterprise	
Accounts	14,727
Intergovernmental	15,882
Internal Service	
Accounts	15,237
Total Receivables	\$1,311,814

**NOTE 10 - FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$184,314
Less: Accumulated Depreciation	(158,159)
Net Fixed Assets	\$26,155

A summary of the changes in general fixed assets during fiscal year 2001 follows:

Asset Category	Balance at 6/30/00	Additions	Deletions	Balance at 6/30/01
Land and Improvements	\$510,284			\$510,284
Buildings	2,407,851			2,407,851
Furniture and Equipment	1,493,559			1,493,559
Vehicles	279,478			279,478
Construction in Progress	7,763,585	\$4,674,348		12,437,933
Totals	\$12,454,757	\$4,674,348		\$17,129,105

**Wellsville Local School District  
Columbiana County**

**Notes to the General Purpose Financial Statements  
June 30, 2001  
(Continued)**

**NOTE 11 – INTERFUND ACTIVITY**

As of June 30, 2001, receivables and payables that resulted from various interfund transactions were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
<b>General Fund:</b>	\$ 8,506	
<b>Special Revenue:</b>		
Title VI		\$ 3,125
Drug Free		1,358
<b>Enterprise:</b>		
Food Service	_____	<u>4,023</u>
 Totals	 \$ <u>8,506</u>	 \$ <u>8,506</u>

**NOTE 12 - 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 2001 the School District's insurance coverage through Wausau Insurance Corporation was as follows:

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

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

For fiscal year 2001 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.

**Wellsville Local School District  
Columbiana County**

**Notes to the General Purpose Financial Statements  
June 30, 2001  
(Continued)**

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 9 percent of their annual covered salary and the Wellsville Local School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of the annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by SERS's Retirement Board. The School District's contributions to SERS for the years ended June 30, 2001, 2000 and 1999 were \$119,270, \$119,118, and \$106,470, respectively; 51 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$58,395 representing unpaid contribution for fiscal year 2001 is recorded as a liability within the respective funds and the general long-term obligations account.

**B. State Teachers Retirement System**

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

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2001 were 9.3 percent of covered payroll for members and 14 percent for employers. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$469,479, \$475,791, and \$449,537, respectively; 85 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$70,380 representing the unpaid contribution for fiscal year 2001 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, 2001, all members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**Wellsville Local School District  
Columbiana County**

**Notes to the General Purpose Financial Statements  
June 30, 2001  
(Continued)**

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare 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 to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2000, the board allocated employer contributions equal to 8 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion on June 30, 2000. The Health Care Reserve Fund allocation for the year ended June 30, 2001 will be 4.5 percent of covered payroll.

For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000. There were 99,011 eligible benefit recipients.

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

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2000, the allocation rate is 8.45 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 2000, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000 were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, the Retirement System's net assets available for payment of health care benefits were \$252.3 million. The number of participants currently receiving health care benefits is approximately 50,000.

The portion of your employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .6036, then adding the surcharge due as of June 30, 2000, as certified to your district by SERS.

**Wellsville Local School District  
Columbiana County**

**Notes to the General Purpose Financial Statements  
June 30, 2001  
(Continued)**

**NOTE 15 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 296 days for classified employees and 296 days for certificated employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 60 days for classified employees and 60 days for certificated employees.

**B. Life Insurance**

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

**C. Retirement Incentive Plan Bonus Payment**

In addition to severance pay, a \$2,000 bonus will be paid to any certificated employee at the time of his/her retirement from the School District and acceptance for receipt of retirement benefits by the State Teachers Retirement System. An additional \$5,000 was paid to any certificated employee who retired by June 13, 2000.

**NOTE 16 - OPERATING LEASE**

The School District leases a copier under a noncancelable operating lease. Total costs for this lease is \$15,600 for the year ended June 30, 2001. The future minimum lease payments as of June 30, 2001, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2002	<u>\$6,500</u>
Total	<u><u>\$6,500</u></u>

**NOTE 17 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	Balance at 07/01/00	Additions	Deductions	Balance at 06/30/01
School Improvement Bonds	\$1,630,000		\$45,000	\$1,585,000
Capital Lease		\$45,338	14,077	31,261
Pension Obligation	54,546		14,376	40,170
Compensated Absences	534,815	38,799		573,614
Total Long-Term Obligations	<u>\$2,219,361</u>	<u>\$84,137</u>	<u>\$73,453</u>	<u>\$2,230,045</u>

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

**Wellsville Local School District  
Columbiana County**

**Notes to the General Purpose Financial Statements  
June 30, 2001  
(Continued)**

**NOTE 17 - LONG-TERM OBLIGATIONS – (Continued)**

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 \$2,025,602 with an unvoted debt margin of \$40,118 at June 30, 2001.

Principal and interest requirements to retire general obligation debt, including notes outstanding at June 30, 2001, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2002	\$45,000	\$87,008	\$132,008
2003	50,000	84,870	134,870
2004	50,000	82,395	132,395
2005	55,000	79,895	134,895
2006	55,000	77,090	132,090
2007-2011	335,000	337,445	672,445
2012-2016	425,000	235,887	660,887
2017-2021	570,000	100,005	670,005
Total	<u>\$1,585,000</u>	<u>\$1,084,595</u>	<u>\$2,669,595</u>

**NOTE 18 - 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, 2001.

	Food Service	Adult Education	Total Enterprise Funds
Operating Revenues	\$64,704		\$64,704
Operating Expenses Excluding Depreciation	192,490		192,490
Depreciation Expense	894		894
Operating Income (Loss)	(128,680)		(128,680)
Donated Commodities	14,975		14,975
Grants	112,851		112,851
Net Income (Loss)	(854)		(854)
Net Working Capital	(6,337)	\$2,741	(3,596)
Total Assets	62,979	2,741	65,720
Total Liabilities	43,161		43,161
Total Equity	19,818	2,741	22,559

**Wellsville Local School District  
Columbiana County**

**Notes to the General Purpose Financial Statements  
June 30, 2001  
(Continued)**

**NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS**

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

**NOTE 20 - 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.

**NOTE 21 - CONTINGENCIES**

**Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

**NOTE 22 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 2000			\$70,567	
Current Year Set-aside Requirement	\$106,399	\$106,399		
Current Year Offsets		(122,807)		
Qualifying Disbursements	(118,056)			
Total	<u>(\$11,657)</u>	<u>(\$16,408)</u>	<u>\$70,567</u>	
Cash Balance Carried Forward to FY 2002			<u>\$70,567</u>	
Amount restricted for Budget Stabilization				<u>\$70,567</u>
Total Restricted Assets				<u>\$70,567</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

**Wellsville Local School District  
Columbiana County**

**Notes to the General Purpose Financial Statements  
June 30, 2001  
(Continued)**

**NOTE 23 – CONTRACTUAL COMMITMENTS**

As of June 30, 2001, the School District had the following contractual purchase commitments:

<u>Company</u>	<u>Amount Remaining</u>
Prout Fire Protection	\$21,772
Wood Electrical	67,171
Waller Duman	288,769
Enertech Electrical	27,946
Tomco Plumbing	20,047
Buehrer Architect	150,233
Midwest Asbestos	37,736
Boak & Sons	21,213
	<u>\$634,887</u>

**NOTE 24 - SCHOOL FUNDING DECISION**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 14, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2001

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	03-PU-00	10.550		\$13,601		\$14,975
National School Lunch Program	04-PU-00	10.555	\$77,318		\$77,318	
National School Breakfast Program	05-PU-00	10.553	13,040		13,040	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>90,358</u>	<u>13,601</u>	<u>90,358</u>	<u>14,975</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-00	84.027	7,088		13,726	
	6B-SF-01		81,614		81,614	
Total Special Education Cluster			<u>88,702</u>		<u>95,340</u>	
Title II - Dwight D. Eisenhower Grant	MS-S1-01	84.281	6,092		2,751	
Goals 2000 Grant						
	G2-S1-00	84.276	21,000		19,184	
	G2-S1-01		14,000			
Total Goals 2000 Grant			<u>35,000</u>		<u>19,184</u>	
Grants to Local Educational Agencies (ESEA Title I)						
	C1-S1-00	84.010	13,019		45,142	
	C1-S1-01		252,456		244,606	
Total Title I			<u>265,475</u>		<u>289,748</u>	
Innovative Educational Program Strategies						
	C2-S1-00	84.298			1,896	
	C2-S1-01		4,718			
Total Innovative Educational Programs			<u>4,718</u>		<u>1,896</u>	
Drug-Free Schools Grant						
	DR-S1-00	84.186			629	
	DR-S1-01		2,671		2,671	
Total Drug Free School Grant			<u>2,671</u>		<u>3,300</u>	
Total U.S. Department of Education			<u>402,658</u>		<u>412,219</u>	
<b>Totals</b>			<u><b>\$493,016</b></u>	<u><b>\$13,601</b></u>	<u><b>\$502,577</b></u>	<u><b>\$14,975</b></u>

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

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2001**

**A. SIGNIFICANT ACCOUNTING POLICIES**

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

**B. FOOD DISTRIBUTION**

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, 2001, the District had no significant food commodities in inventory.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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 43938

To the Board of Education:

We have audited the financial statements of Wellsville Local School District, Columbiana County, as of and for the year ended June 30, 2001, and have issued our report thereon dated December 14, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Wellsville Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-11215-001. We also noted an immaterial instance of noncompliance which we have reported to management of Wellsville Local School District in a separate letter dated December 14, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Wellsville Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Wellsville Local School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2001-11215-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable condition that are also considered to be material weaknesses.

However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to management of Wellsville Local School District in a separate letter dated December 14, 2001.

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 14, 2001



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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 43938

To the Board of Education:

**Compliance**

We have audited the compliance of Wellsville Local School District, Columbiana County, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. 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 its major federal program is the responsibility of Wellsville Local School District's management. Our responsibility is to express an opinion on Wellsville Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular 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 Wellsville Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Wellsville Local School District's compliance with those requirements.

In our opinion, Wellsville Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

**Internal Control Over Compliance**

The management of Wellsville Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Wellsville Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing 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 14, 2001

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2001**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
(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)?	YES
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	YES
(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

**WELLSVILLE LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2001  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2001-11215-001</b>
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**Ohio Revised Code § 5705.41(B)** states that no subdivision is to expend money unless it has been appropriated. During fiscal year 2001, the Drivers Education Fund, an Internal Service Fund had expenditures plus encumbrances which exceeded appropriations by 22%.

Failure to limit expenditures plus encumbrances to the amounts appropriated by the Board of Education could result in overspending and negative cash balances. The District Treasurer should compare expenditures to appropriations and if appropriations are not sufficient, the Treasurer should request that the Board pass an amendment to the appropriation resolution.

<b>Finding Number</b>	<b>2001-11215-002</b>
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Estimated resources were not posted to the District receipt ledger until year end. Budget vs. actual comparisons could not be made during the year, therefore, the District management could not effectively monitor financial activity through the year.

All budgetary information certified by the Budget Commission or authorized by the Board of Education should be routinely posted to the records. The Treasurer should continuously supervise this function by inspecting official documents from the county budget commission and appropriation resolutions approved by the board to ensure accurate amounts are posted. This would provide an effective means of monitoring the financial activity of the District at any given time and help ensure overspending does not occur.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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<b>NONE</b>	
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STATE OF OHIO  
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.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 7, 2002**