



Mary Taylor, CPA
Auditor of State

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

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Management's Discussion and Analysis	3
Statement of Net Assets.....	13
Statement of Activities.....	14
Balance Sheet – Governmental Funds	15
Reconciliation of Total Governmental Fund Balances To Net Assets of Governmental Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in fund Balances of Governmental Funds To the Statement of Activities.....	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund.....	19
Statement of Fiduciary Net Assets – Fiduciary Funds	20
Statement of Changes in Fiduciary Net Assets – Fiduciary Fund	21
Notes to the Basic Financial Statements.....	23
Federal Awards Expenditures Schedule	53
Notes to the Federal Awards Expenditures Schedule.....	54
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Governmental Auditing Standards	55
Independent Accountants Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	57
Schedule of Findings.....	59
Schedule of Prior Audit Findings	63
Independent Accountants' Report on Applying Agreed-Upon Procedures	65

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wellsville Local School District, Columbiana County, Ohio (the District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wellsville Local School District, Columbiana County, Ohio, as of June 30, 2009, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The accompanying federal awards expenditure schedule 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 basic financial statements. We subjected the information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Mary Taylor, CPA
Auditor of State

January 4, 2010

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Unaudited)**

The management's discussion and analysis of the Wellsville Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2009 are as follows:

- During fiscal year 2009, the District restated beginning net assets as described in Note 3.D. In total, net assets of governmental activities increased \$241,830 which represents a 2.96% increase from 2008 restated net assets.
- General revenues accounted for \$6,616,934 in revenue or 69.64% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,885,175 or 30.36% of total revenues of \$9,502,109.
- The District had \$9,260,279 in expenses related to governmental activities; only \$2,885,175 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,616,934 were adequate to provide for these programs.
- During fiscal year 2009, the District restated beginning fund balances as described in Note 3.C. The District's major governmental funds are the general fund, bond retirement fund and permanent improvement fund. The general fund had \$7,522,541 in revenues and \$7,286,988 in expenditures. During fiscal year 2009, the general fund's fund balance increased \$235,553 from \$1,541,087 to \$1,776,640.
- The bond retirement fund had \$128,684 in revenues and \$154,346 in expenditures. During fiscal year 2009, the bond retirement fund's fund balance decreased \$25,662 from \$80,877 to \$55,215.
- The permanent improvement fund had \$164,420 in revenues and \$73,194 in expenditures. During fiscal year 2009, the permanent improvement fund's fund balance increased \$91,226 from \$406,368 to \$497,594.

Using the Basic Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Unaudited)

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Unaudited)

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-50 of this report.

The District as a Whole

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

The table below provides a summary of the District's net assets for 2009 and 2008.

	Net Assets	
	Governmental Activities 2009	Restated Governmental Activities 2008
<u>Assets</u>		
Current and other assets	\$ 5,814,006	\$ 4,481,221
Capital assets, net	<u>7,129,585</u>	<u>7,490,594</u>
Total assets	<u>12,943,591</u>	<u>11,971,815</u>
<u>Liabilities</u>		
Current liabilities	2,533,837	1,884,317
Long-term liabilities	<u>1,996,703</u>	<u>1,916,277</u>
Total liabilities	<u>4,530,540</u>	<u>3,800,594</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	5,719,564	6,106,802
Restricted	1,884,312	1,350,266
Unrestricted	<u>809,175</u>	<u>714,153</u>
Total net assets	<u>\$ 8,413,051</u>	<u>\$ 8,171,221</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the District's assets exceeded liabilities by \$8,413,051. At year-end, restricted net assets were \$1,884,312.

At year-end, capital assets represented 55.08% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2009, were \$5,719,564. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

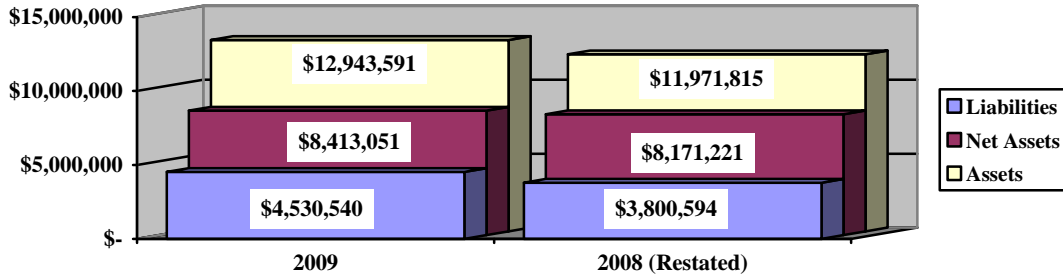
A portion of the District's net assets, \$1,884,312, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is \$809,175.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Unaudited)

The graph below shows the District's assets, liabilities, and net assets at June 30, 2009 and 2008.

Governmental Activities



The table below shows the change in net assets for fiscal years 2009 and 2008. Operation of non-instructional services for 2008, have been reclassified to food service operations to conform to the 2009 presentation.

Change in Net Assets

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 922,377	\$ 964,818
Operating grants and contributions	1,962,798	1,756,903
General revenues:		
Property taxes	1,116,557	1,194,583
Grants and entitlements	5,338,186	5,133,577
Investment earnings	67,560	125,553
Miscellaneous	<u>94,631</u>	<u>189,683</u>
Total revenues	<u>\$ 9,502,109</u>	<u>\$ 9,365,117</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Unaudited)

Change in Net Assets

	<u>Governmental Activities 2009</u>	<u>Governmental Activities 2008</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	4,343,935	4,004,796
Special	989,766	944,121
Vocational	109,796	179,867
Other	44,476	80,460
Support services:		
Pupil	351,758	316,920
Instructional staff	441,424	360,644
Board of education	12,793	8,875
Administration	838,762	797,350
Fiscal	245,615	246,187
Business	286	1,313
Operations and maintenance	964,889	776,804
Pupil transportation	160,075	154,379
Food service operations	395,776	330,212
Extracurricular activities	287,723	254,648
Capital outlay	-	33,560
Interest and fiscal charges	<u>73,205</u>	<u>30,363</u>
Total expenses	<u>9,260,279</u>	<u>8,520,499</u>
Change in net assets	241,830	844,618
Net assets at beginning of year (restated)	<u>8,171,221</u>	<u>7,326,603</u>
Net assets at end of year	<u><u>\$ 8,413,051</u></u>	<u><u>\$ 8,171,221</u></u>

Governmental Activities

Net assets of the District's governmental activities increased \$241,830. Total governmental expenses of \$9,260,279 were offset by program revenues of \$2,885,175 and general revenues of \$6,616,934. Program revenues supported 31.16% of the total governmental expenses.

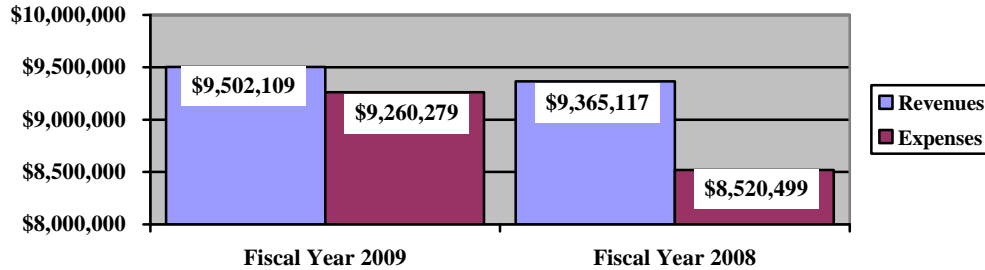
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 67.93% of total governmental revenue. Real estate property is reappraised every six years. The decrease in tax revenue is the result of the passage of House Bill No. 66. This bill phases out the tax on tangible personal property. Fiscal year 2009 is the first complete year with out this tax. The increase in grants and entitlements was due to the hold-harmless payments from the State that was received due to the phase out of the tangible personal property taxes.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Unaudited)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2009 and 2008.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. Operation of non-instructional services for 2008, have been reclassified to food service operations to conform to the 2009 presentation.

Governmental Activities

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
Program expenses				
Instruction:				
Regular	\$ 4,343,935	\$ 3,012,794	\$ 4,004,796	\$ 2,843,820
Special	989,766	276,163	944,121	118,083
Vocational	109,796	87,530	179,867	152,788
Other	44,476	37,688	80,460	31,220
Support services:				
Pupil	351,758	312,606	316,920	316,920
Instructional staff	441,424	158,333	360,644	121,556
Board of education	12,793	12,793	8,875	8,875
Administration	838,762	801,893	797,350	777,623
Fiscal	245,615	241,684	246,187	246,187
Business	286	(9)	1,313	1,313
Operation and maintenance	964,889	964,415	776,804	774,734
Pupil transportation	160,075	155,226	154,379	154,379
Food service operations	395,776	26,742	330,212	(3,027)
Extracurricular activities	287,723	214,041	254,648	190,384
Capital outlay	-	-	33,560	33,560
Interest and fiscal charges	73,205	73,205	30,363	30,363
Total expenses	<u>\$ 9,260,279</u>	<u>\$ 6,375,104</u>	<u>\$ 8,520,499</u>	<u>\$ 5,798,778</u>

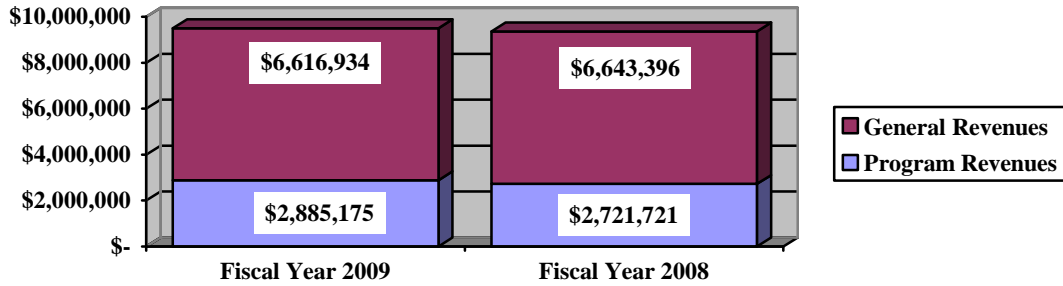
The dependence upon tax and other general revenues for governmental activities is apparent, 62.21% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 68.84%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2009 and 2008.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Unaudited)

Governmental Activities - General and Program Revenues



The District's Funds

During fiscal year 2009, the District restated fund balances as described in Note 3.C. The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$2,893,425, which is higher than last year's restated total of \$2,568,327. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	Fund Balance <u>June 30, 2009</u>	Restated Fund Balance <u>June 30, 2008</u>	Increase <u>(Decrease)</u>
General	\$ 1,776,640	\$ 1,541,087	\$ 235,553
Bond Retirement	55,215	80,877	(25,662)
Permanent Improvement	497,594	406,368	91,226
Other Governmental	<u>563,976</u>	<u>539,995</u>	<u>23,981</u>
Total	<u>\$ 2,893,425</u>	<u>\$ 2,568,327</u>	<u>\$ 325,098</u>

General Fund

The District's general fund balance increased \$235,553. The table that follows assists in illustrating the financial activities and fund balance of the general fund. The decrease in tax revenue is due to the passage of House Bill No. 66 which eliminates the tangible personal property tax. The decrease in tuition is due to the District receiving less revenue for open enrollment. Earnings on investments decreased due to the decreasing interest rates due to the national economy. The increases in instructional and support expenditures were caused primarily by the increasing costs of wages and benefits.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Unaudited)

	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 861,775	\$ 868,769	\$ (6,994)	(0.81) %
Tuition	755,067	798,731	(43,664)	(5.47) %
Earnings on investments	67,560	110,970	(43,410)	(39.12) %
Intergovernmental	5,741,454	5,623,167	118,287	2.10 %
Other revenues	<u>96,685</u>	<u>111,324</u>	<u>(14,639)</u>	(13.15) %
Total	<u>\$ 7,522,541</u>	<u>\$ 7,512,961</u>	<u>\$ 9,580</u>	0.13 %
<u>Expenditures</u>				
Instruction	\$ 4,605,017	\$ 4,136,489	\$ 468,528	11.33 %
Support services	2,480,932	2,278,669	202,263	8.88 %
Extracurricular activities	179,919	152,058	27,861	18.32 %
Debt services	<u>21,120</u>	<u>17,884</u>	<u>3,236</u>	18.09 %
Total	<u>\$ 7,286,988</u>	<u>\$ 6,585,100</u>	<u>\$ 701,888</u>	10.66 %

Bond Retirement Fund

The bond retirement debt service fund had \$128,684 in revenues and \$154,346 in expenditures. During fiscal year 2009, the debt service fund's fund balance decreased \$25,662 from \$80,877 to \$55,215.

Permanent Improvement Fund

The permanent improvement capital projects fund had \$164,420 in revenues and \$73,194 in expenditures. During fiscal year 2009, the permanent improvement fund's fund balance increased \$91,226 from \$406,368 to \$497,594.

General Fund Budgeting Highlights

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

During the course of fiscal year 2009, the District amended its general fund budget numerous times. For the general fund, original budgeted revenues and other financing sources of \$7,722,047 were decreased to \$7,659,752 in the final budget. Actual revenues and other financing sources for fiscal year 2009 was \$7,516,669. This represents a \$143,083 decrease from final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$9,924,034 were decreased to \$9,839,484 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2009 totaled \$7,229,565, which was \$2,609,919 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

During fiscal year 2009, the District restated capital assets. At the end of fiscal year 2009, the District had \$7,129,585 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

The following table shows fiscal year 2009 balances compared to 2008:

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2009	Restated 2008
Land	\$ 300,158	\$ 300,158
Land improvements	311,693	344,493
Building and improvements	6,242,751	6,520,131
Furniture and equipment	118,998	149,954
Vehicles	155,985	175,858
Total	\$ 7,129,585	\$ 7,490,594

Total additions to capital assets for 2009 were \$22,993. The District recorded \$384,002 in depreciation expense for fiscal year 2009.

Refer to Note 7 in the basic financial statements for further detail on the District's capital assets.

Debt Administration

During fiscal year 2009, the District restated long term obligations. At June 30, 2009, the District had \$1,404,119 in general obligation bonds, a capital lease and an energy conservation loan outstanding. Of this total, \$119,827 is due within one year and \$1,284,292 is due within more than one year. The following table summarizes the bonds, lease and loan outstanding.

Outstanding Debt, at Year End

	Governmental	Restated
	Activities	Governmental
	2009	2008
School improvement bonds	\$ 145,000	\$ 210,000
Refunding bond issue	999,292	998,230
Energy conservation loan	240,000	260,000
Capital lease	19,827	38,964
Total	\$ 1,404,119	\$ 1,507,194

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Unaudited)**

Current Financial Related Activities

The District is holding its own in the state of a declining economy and uncertainty in State funding. The District is located in a small rural community of 4,500 in Eastern Ohio. It has a number of small and medium businesses with agriculture having a contributing influence on the economy.

Future finances are not without challenges as the community changes and state funding is revised. Some of these challenges are in the future of state funding for school in light of the DeRolph court case and the long-term effects of public utility deregulation, as well as the reduction of personal property for business inventory.

Contacting the District's Financial Management

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

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

STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 3,721,862
Receivables:	
Taxes	1,873,090
Accounts	607
Intergovernmental	187,440
Prepayments	13,957
Materials and supplies inventory	4,003
Unamortized bond issue costs	13,047
Capital assets:	
Land.	300,158
Depreciable capital assets, net	6,829,427
Capital assets, net	7,129,585
 Total assets.	 12,943,591
Liabilities:	
Accounts payable.	63,752
Accrued wages and benefits	621,892
Pension obligation payable.	162,453
Intergovernmental payable	22,593
Unearned revenue	1,659,287
Accrued interest payable	3,860
Long-term liabilities:	
Due within one year.	281,605
Due within more than one year	1,715,098
 Total liabilities	 4,530,540
Net Assets:	
Invested in capital assets, net of related debt.	5,719,564
Restricted for:	
Capital projects	668,088
Debt service.	69,134
Locally funded programs	10,553
Classroom facilities maintenance	198,356
State funded programs.	42,283
Federally funded programs	42,559
Student activities	13,351
Public school support	7,872
Other purposes	832,116
Unrestricted	809,175
 Total net assets	 \$ 8,413,051

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 4,343,935	\$ 757,473	\$ 573,668	\$ (3,012,794)
Special	989,766	-	713,603	(276,163)
Vocational	109,796	-	22,266	(87,530)
Other	44,476	-	6,788	(37,688)
Support services:				
Pupil	351,758	-	39,152	(312,606)
Instructional staff	441,424	-	283,091	(158,333)
Board of education	12,793	-	-	(12,793)
Administration	838,762	14,302	22,567	(801,893)
Fiscal	245,615	-	3,931	(241,684)
Business	286	-	295	9
Operations and maintenance	964,889	-	474	(964,415)
Pupil transportation	160,075	-	4,849	(155,226)
Food service operations	395,776	76,920	292,114	(26,742)
Extracurricular activities	287,723	73,682	-	(214,041)
Interest and fiscal charges	73,205	-	-	(73,205)
Total governmental activities	\$ 9,260,279	\$ 922,377	\$ 1,962,798	(6,375,104)
General Revenues:				
Property taxes levied for:				
General purposes				863,478
Capital projects				129,220
Debt service				107,486
Special revenue				16,373
Grants and entitlements not restricted to specific programs				5,338,186
Investment earnings				67,560
Miscellaneous				94,631
Total general revenues				6,616,934
Change in net assets				241,830
Net assets at beginning of year (restated)				8,171,221
Net assets at end of year				\$ 8,413,051

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 1,830,662	\$ 51,952	\$ 493,827	\$ 609,261	\$ 2,985,702
Receivables:					
Taxes	1,068,839	261,761	347,287	195,203	1,873,090
Accounts	-	-	-	607	607
Intergovernmental	26,341	-	-	161,099	187,440
Prepayments	13,957	-	-	-	13,957
Materials and supplies inventory	-	-	-	4,003	4,003
Restricted assets:					
Equity in pooled cash and cash equivalents	736,160	-	-	-	736,160
Total assets	\$ 3,675,959	\$ 313,713	\$ 841,114	\$ 970,173	\$ 5,800,959
Liabilities:					
Accounts payable	\$ 32,047	\$ -	\$ -	\$ 31,705	\$ 63,752
Accrued wages and benefits	514,044	-	-	107,848	621,892
Compensated absences payable	141,094	-	-	-	141,094
Pension obligation payable	133,923	-	-	28,530	162,453
Intergovernmental payable	19,067	-	-	3,526	22,593
Deferred revenue	154,691	17,779	21,400	42,593	236,463
Unearned revenue	904,453	240,719	322,120	191,995	1,659,287
Total liabilities	1,899,319	258,498	343,520	406,197	2,907,534
Fund Balances:					
Reserved for encumbrances	80,853	-	1,500	52,167	134,520
Reserved for prepayments	13,957	-	-	-	13,957
Reserved for materials and supplies inventory	-	-	-	4,003	4,003
Reserved for property tax unavailable for appropriation	24,747	3,263	3,767	476	32,253
Reserved for budget stabilization	70,567	-	-	-	70,567
Reserved for instructional materials	402,885	-	-	-	402,885
Reserved for capital improvements	262,708	-	-	-	262,708
Reserved for debt service	-	51,952	-	-	51,952
Unreserved, undesignated, reported in:					
General fund	920,923	-	-	-	920,923
Special revenue funds	-	-	-	358,236	358,236
Capital projects funds	-	-	492,327	149,094	641,421
Total fund balances	1,776,640	55,215	497,594	563,976	2,893,425
Total liabilities and fund balances	\$ 3,675,959	\$ 313,713	\$ 841,114	\$ 970,173	\$ 5,800,959

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2009

Total governmental fund balances		\$	2,893,425
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			7,129,585
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	181,550	
Intergovernmental receivable		54,913	
Total			236,463
Unamortized bond issuance costs are not recognized in the funds.			13,047
Unamortized premiums on bond issuances are not recognized in the funds.			(70,979)
Unamortized deferred charges on refundings are not recognized in the funds.			55,785
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(3,860)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation and refunding bonds		(1,144,292)	
Energy conservation loan		(240,000)	
Capital lease obligation		(19,827)	
Compensated absences		(436,296)	
Total			(1,840,415)
Net assets of governmental activities		\$	<u><u>8,413,051</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Taxes	\$ 861,775	\$ 107,485	\$ 129,937	\$ 16,520	\$ 1,115,717
Tuition.	755,067	-	-	283	755,350
Earnings on investments.	67,560	-	-	-	67,560
Extracurricular.	104	-	-	80,226	80,330
Charges for services	-	-	-	76,920	76,920
Classroom materials and fees	2,406	-	-	-	2,406
Contributions and donations.	1,160	-	-	2,174	3,334
Other local revenues.	93,015	-	456	19,600	113,071
Intergovernmental - Intermediate	-	-	-	2,390	2,390
Intergovernmental - State	5,741,454	21,199	34,027	662,355	6,459,035
Intergovernmental - Federal.	-	-	-	770,243	770,243
Total revenue	<u>7,522,541</u>	<u>128,684</u>	<u>164,420</u>	<u>1,630,711</u>	<u>9,446,356</u>
Expenditures:					
Current:					
Instruction:					
Regular.	3,654,796	-	1,155	505,427	4,161,378
Special	767,880	-	-	233,004	1,000,884
Vocational	126,771	-	-	-	126,771
Other	55,570	-	-	6,092	61,662
Support Services:					
Pupil	268,591	-	2,789	61,381	332,761
Instructional staff	161,695	-	-	260,727	422,422
Board of education	12,793	-	-	-	12,793
Administration	778,680	-	-	44,690	823,370
Fiscal	231,365	2,858	3,484	4,083	241,790
Business	-	-	-	286	286
Operations and maintenance	894,409	-	27,050	9,732	931,191
Pupil transportation	133,399	-	-	4,589	137,988
Food service operations	-	-	-	382,547	382,547
Extracurricular activities	179,919	-	-	94,172	274,091
Facilities acquisition and construction	-	-	38,716	-	38,716
Debt service:					
Principal retirement.	19,137	90,000	-	-	109,137
Interest and fiscal charges.	1,983	61,488	-	-	63,471
Total expenditures	<u>7,286,988</u>	<u>154,346</u>	<u>73,194</u>	<u>1,606,730</u>	<u>9,121,258</u>
Net change in fund balances	235,553	(25,662)	91,226	23,981	325,098
Fund balances at beginning of year (restated).	<u>1,541,087</u>	<u>80,877</u>	<u>406,368</u>	<u>539,995</u>	<u>2,568,327</u>
Fund balances at end of year	<u>\$ 1,776,640</u>	<u>\$ 55,215</u>	<u>\$ 497,594</u>	<u>\$ 563,976</u>	<u>\$ 2,893,425</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds \$ 325,098

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.

Capital asset additions	\$ 22,993	
Current year depreciation	(384,002)	
Total		(361,009)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes	840	
Intergovernmental	54,913	
Total		55,753

Repayment of bond, loan, and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 109,137

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due. The following items resulted in additional interest being recorded in the statement of activities:

Increase in accrued interest payable	(3,860)	
Accreted interest on capital appreciation bonds	(6,062)	
Amortization of deferred charges	(4,886)	
Amortization of bond premium	6,217	
Amortization of bond issuance costs	(1,143)	
Total		(9,734)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds: 122,585

Change in net assets of governmental activities \$ 241,830

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 888,840	\$ 881,669	\$ 865,200	\$ (16,469)
Tuition.	775,698	769,440	755,067	(14,373)
Earnings on investments.	71,417	70,841	69,518	(1,323)
Extracurricular.	107	106	104	(2)
Classroom materials and fees	2,472	2,452	2,406	(46)
Contributions and donations.	1,192	1,182	1,160	(22)
Other local revenues.	95,578	94,807	93,036	(1,771)
Intergovernmental - State	5,886,731	5,839,243	5,730,166	(109,077)
Total revenue	<u>7,722,035</u>	<u>7,659,740</u>	<u>7,516,657</u>	<u>(143,083)</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,944,473	5,471,459	3,602,001	1,869,458
Special.	1,028,249	844,520	749,070	95,450
Vocational.	181,921	169,040	132,528	36,512
Other	123,487	108,250	89,959	18,291
Support Services:				
Pupil.	366,117	398,605	266,713	131,892
Instructional staff	221,538	222,890	161,388	61,502
Board of education	12,903	12,180	9,400	2,780
Administration.	1,018,441	832,070	741,925	90,145
Fiscal	320,798	307,570	233,698	73,872
Operations and maintenance.	1,299,362	1,093,345	946,573	146,772
Pupil transportation	168,027	161,160	122,406	38,754
Extracurricular activities.	238,718	218,395	173,904	44,491
Total expenditures	<u>9,924,034</u>	<u>9,839,484</u>	<u>7,229,565</u>	<u>2,609,919</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,201,999)</u>	<u>(2,179,744)</u>	<u>287,092</u>	<u>2,466,836</u>
Other financing sources:				
Refund of prior year expenditure	12	12	12	-
Total other financing sources.	<u>12</u>	<u>12</u>	<u>12</u>	<u>-</u>
Net change in fund balance	(2,201,987)	(2,179,732)	287,104	2,466,836
Fund balance at beginning of year				
(restated)	2,164,849	2,164,849	2,164,849	-
Prior year encumbrances appropriated	23,327	23,327	23,327	-
Fund balance (deficit) at end of year.	<u>\$ (13,811)</u>	<u>\$ 8,444</u>	<u>\$ 2,475,280</u>	<u>\$ 2,466,836</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 261,848	\$ 23,152
Total assets	<u>261,848</u>	<u>\$ 23,152</u>
Liabilities:		
Due to students	-	\$ 23,152
Total liabilities	<u>-</u>	<u>\$ 23,152</u>
Net Assets:		
Held in trust for scholarships	<u>261,848</u>	
Total net assets	<u>\$ 261,848</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	
Additions:		
Interest	\$	8,458
Total additions.		<u>8,458</u>
Deductions:		
Scholarships awarded		<u>10,967</u>
Change in net assets		(2,509)
Net assets at beginning of year (restated) .		<u>264,357</u>
Net assets at end of year.	\$	<u><u>261,848</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Wellsville Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Wellsville Local School District is a local school district as defined by §3311.22 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's seven instructional/support facilities staffed by 35 non-certified and 68 certified full-time teaching personnel who provide services to 911 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Reporting Entity

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

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

JOINTLY GOVERNED ORGANIZATIONS

Area Cooperative Computerized Educational Service System (ACCESS)

ACCESS is a jointly governed organization among 23 school districts, 1 community school, 1 special education resource center, 2 county educational service centers and 2 career and technical centers. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The nine-member Board of Directors consists of 2 treasurers and 6 superintendents from participating school districts. The ACCESS treasurer is an ex-officio member of the Board of Directors. The degree of control exercised by any participating school district is limited to its representation on the Board. The assembly exercises total control over the operation of the consortium including budgeting, appropriating, contracting and designating management. The consortium revenues are generated from charges for services, State funding and E-rateable services.

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, Lisa Bruzzese, who serves as Treasurer, at 9364 State Route 45, Lisbon, Ohio 44432.

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Program

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

B. Fund Accounting

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

GOVERNMENTAL FUNDS

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

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

Bond retirement fund - The debt service fund is used to account for the accumulation of resources and payment of general obligation bond principal, interest and related costs.

Permanent improvement fund - The permanent improvement fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; (b) for food service; and (c) for grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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

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

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

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

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

D. Basis of Accounting

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

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2009 are recorded as deferred revenue.

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

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

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

E. Budgetary Process

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

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

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

F. Cash and Investments

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

During fiscal year 2009, investments were limited to investments in non-negotiable certificates of deposit (CD's) and the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2009. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on June 30, 2009.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2009, amounted to \$67,560.

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

G. Inventory

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On the fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as expenditure when purchased.

H. Restricted Assets

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

I. Capital Assets

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

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

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

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

J. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities columns of the statement of net assets. The District did not have any interfund loans at June 30, 2009.

K. Compensated Absences

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

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

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

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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

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

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

N. Net Assets

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

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

O. Fund Balance Reserves

The 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, debt service, property taxes, materials and supplies inventory, prepayments, budget stabilization, instructional materials, and capital improvements.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

P. Prepayments

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

Q. Interfund Activity

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

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

R. Estimates

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2009.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2009, the District has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the District.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the District.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the District.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the District.

B. Deficit Fund Balance

Fund balances at June 30, 2009 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Management information systems	\$ 58
Improving teacher quality	377

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

C. Restatement of Fund Balance

For fiscal year 2009, the District has restated fund balances of the governmental funds to report certain fund reclassifications and prior year errors in cash postings between funds. The District has reclassified funds previously reported as special revenue funds to private-purpose trust funds. These fund reclassifications were made to better report the activities and purposes of the funds. The fund reclassifications and cash adjustments had the following effect of fund balances as previously reported:

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund balances,					
June 30, 2008	\$ 1,490,573	\$ 80,877	\$ 402,355	\$ 844,109	\$ 2,817,914
Cash posting adjustments	50,514	-	4,013	(54,527)	-
Fund reclassifications	-	-	-	(249,587)	(249,587)
Restated fund balances,					
June 30, 2008	<u>\$ 1,541,087</u>	<u>\$ 80,877</u>	<u>\$ 406,368</u>	<u>\$ 539,995</u>	<u>\$ 2,568,327</u>

The beginning fund balance as reported on the statement of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP basis) has been restated by \$28,389 from \$2,136,460 to \$2,164,849 to properly reflect the fund balance at June 30, 2008.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

D. Restatement of Net Assets

The net assets of the governmental activities have been restated to correct for errors and omissions in the amounts previously reported as capital assets and long-term obligations. In addition, the fund reclassifications above also had an effect on the governmental activities net assets and fiduciary net assets as previously reported at June 30, 2008. Net assets of the governmental activities and fiduciary funds have been restated as follows:

	Governmental Activities	Fiduciary Funds
Net assets, June 30, 2008	\$ 8,496,155	\$ 14,770
Adjustment to capital assets	50,390	-
Fund reclassifications	(249,587)	249,587
Adjustment to long-term obligations	(125,737)	-
Restated net assets, June 30, 2008	\$ 8,171,221	\$ 264,357

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Deposits with Financial Institutions

At June 30, 2009, the carrying amount of all District deposits was \$3,999,271, Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$2,020,466 of the District's bank balance of \$4,165,054 was exposed to custodial risk as discussed below, while \$2,144,588 was covered by the FDIC.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

B. Investments

As of June 30, 2009, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	\$ 7,591	\$ 7,591
Total	<u>\$ 7,591</u>	<u>\$ 7,591</u>

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

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

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 7,591	100.00

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2009:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,999,271
Investments	<u>7,591</u>
Total	<u>\$ 4,006,862</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 3,721,862
Private-purpose trust funds	261,848
Agency funds	<u>23,152</u>
Total	<u>\$ 4,006,862</u>

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 5 - PROPERTY TAXES - (Continued)

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Columbiana County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available as an advance at June 30, 2009 was \$24,747 in the general fund, \$3,263 in the bond retirement fund, \$3,767 in the permanent improvement fund and \$476 in the classroom facilities maintenance fund (a nonmajor governmental fund). These amounts are recorded as revenue. The amount available for advance at June 30, 2008 was \$28,173 in the general fund, \$3,718 in the bond retirement fund, \$4,302 in the permanent improvement fund and \$544 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 41,122,790	88.18	\$ 43,683,750	90.26
Public utility personal	3,354,820	7.19	2,766,250	5.72
Tangible personal property	<u>2,159,730</u>	<u>4.63</u>	<u>1,946,720</u>	<u>4.02</u>
Total	<u>\$ 46,637,340</u>	<u>100.00</u>	<u>\$ 48,396,720</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$41.45		\$38.65	

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 6 - RECEIVABLES

Receivables at June 30, 2009, consisted of property taxes, accounts (rent and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of receivables follows:

Governmental activities:

Property taxes	\$ 1,873,090
Accounts	607
Intergovernmental	<u>187,440</u>
Total	<u><u>\$ 2,061,137</u></u>

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 7 - CAPITAL ASSETS

Capital asset of the governmental activities has been restated at June 30, 2008 to correct for errors and omissions in the amounts previously reported. The restatement had the following effect on capital asset balances previously reported:

	Balance		Resatated Balance
	<u>June 30, 2008</u>	<u>Restatement</u>	<u>June 30, 2008</u>
Governmental activities:			
Capital assets, not being depreciated:			
Land	\$ 291,078	\$ 9,080	\$ 300,158
Total capital assets, not being depreciated	<u>291,078</u>	<u>9,080</u>	<u>300,158</u>
Capital assets, being depreciated:			
Land improvements	747,738	27,634	775,372
Building and improvements	10,402,262	305,977	10,708,239
Furniture and equipment	620,267	71,928	692,195
Vehicles	312,270	-	312,270
Textbooks and library books	478,645	(478,645)	-
Total capital assets, being depreciated	<u>12,561,182</u>	<u>(73,106)</u>	<u>12,488,076</u>
Less: accumulated depreciation			
Land improvements	(405,813)	(25,066)	(430,879)
Building and improvements	(3,891,517)	(296,591)	(4,188,108)
Furniture and equipment	(513,532)	(28,709)	(542,241)
Vehicles	(145,089)	8,677	(136,412)
Textbooks and library books	(456,105)	456,105	-
Total accumulated depreciation	<u>(5,412,056)</u>	<u>114,416</u>	<u>(5,297,640)</u>
Governmental activities capital assets, net	<u>\$ 7,440,204</u>	<u>\$ 50,390</u>	<u>\$ 7,490,594</u>

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 7 - CAPITAL ASSETS - (Continued)

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Restated Balance <u>June 30, 2008</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2009</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 300,158	\$ -	\$ -	\$ 300,158
Total capital assets, not being depreciated	<u>300,158</u>	<u>-</u>	<u>-</u>	<u>300,158</u>
Capital assets, being depreciated:				
Land improvements	775,372	-	-	775,372
Building and improvements	10,708,239	13,308	-	10,721,547
Furniture and equipment	692,195	9,685	(11,425)	690,455
Vehicles	312,270	-	-	312,270
Total capital assets, being depreciated	<u>12,488,076</u>	<u>22,993</u>	<u>(11,425)</u>	<u>12,499,644</u>
Less: accumulated depreciation				
Land improvements	(430,879)	(32,800)	-	(463,679)
Building and improvements	(4,188,108)	(290,688)	-	(4,478,796)
Furniture and equipment	(542,241)	(40,641)	11,425	(571,457)
Buses and other vehicles	(136,412)	(19,873)	-	(156,285)
Total accumulated depreciation	<u>(5,297,640)</u>	<u>(384,002)</u>	<u>11,425</u>	<u>(5,670,217)</u>
Governmental activities capital assets, net	<u>\$ 7,490,594</u>	<u>\$ (361,009)</u>	<u>\$ -</u>	<u>\$ 7,129,585</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 328,450
Special	319
Support services:	
Instructional staff	1,883
Administration	293
Fiscal	833
Operations and maintenance of plant	6,085
Pupil transportation	19,873
Food service operations	12,634
Extracurricular activities	<u>13,632</u>
Total depreciation expense	<u>\$ 384,002</u>

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 8 - CAPITALIZED LEASE - LESSEE DISCLOSURE

During a prior fiscal year, the District entered into a capitalized lease for copier equipment. This lease agreement meets the criteria of capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$89,340. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2009 totaled \$19,137 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2009:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2010	<u>\$ 20,469</u>
Total minimum lease payments	20,469
Less: amount representing interest	<u>(642)</u>
Total	<u>\$ 19,827</u>

NOTE 9 - LONG-TERM OBLIGATIONS

A. Long-term obligations were restated at June 30, 2009 to properly record the series 2007 refunding bond issue and related unamortized deferred charges and premium. During the fiscal year 2009, the following changes occurred in governmental activities long-term obligations:

	Restated			Amounts	
	Balance			Balance	Due in
	<u>June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2009</u>	<u>One Year</u>
Governmental activities:					
Series 2007 refunding bonds	\$ 998,230	\$ 6,062	\$ (5,000)	\$ 999,292	\$ 10,000
Series 1998 school improvement bonds	210,000	-	(65,000)	145,000	70,000
Energy conversation loan	260,000	-	(20,000)	240,000	20,000
Capital lease obligation	38,964	-	(19,137)	19,827	19,827
Compensated absences	<u>558,881</u>	<u>65,695</u>	<u>(47,186)</u>	<u>577,390</u>	<u>161,778</u>
Total long-term obligations, governmental activities	<u>\$ 2,066,075</u>	<u>\$ 71,757</u>	<u>\$ (156,323)</u>	1,981,509	<u>\$ 281,605</u>
				Less: Deferred charge on refunding	(55,785)
				Add: Unamortized premium	<u>70,979</u>
					<u>\$ 1,996,703</u>

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

See Note 8 for detail on the District's capital lease obligation.

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

- B. Series 1998 School Improvement Bond** - On May 1, 1998, the District issued \$1,709,000 in general obligation bonds (Series 1998 School Improvement bond) to provide funds for various District building improvements. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to these bonds are recorded as expenditures in the debt service fund.

During fiscal year 2008, \$995,000 of the current interest bonds were refunded.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2020, with varying interest rates from 4.35 percent to 5.65 percent.

The following is a summary of the future debt service requirements to maturity for the Series 1998 School Improvement bonds:

Year Ended	Current Interest Bonds		
	Principal	Interest	Total
2010	\$ 70,000	\$ 6,033	\$ 76,033
2011	75,000	2,063	77,063
Total	\$ 145,000	\$ 8,096	\$ 153,096

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

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

Year Ended	Current Interest Bonds		
	Principal	Interest	Total
2010	\$ 20,000	\$ 12,087	\$ 32,087
2011	20,000	11,187	31,187
2012	20,000	10,261	30,261
2013	20,000	9,311	29,311
2014	25,000	8,335	33,335
2015 - 2019	135,000	22,512	157,512
Total	\$ 240,000	\$ 73,693	\$ 313,693

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

D. Refunding Bonds - Series 2007

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

The refunding issue is comprised of both current interest bonds, par value \$970,000 and capital appreciation bonds, par value \$25,000. The capital appreciation bonds mature December 1, 2014, (effective interest rate 4.0%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$100,000. Total accreted interest of \$9,292 has been included in the statement of net assets at June 30, 2009.

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

	Balance			Balance	Amounts
	<u>June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2009</u>	<u>Due in</u>
					<u>One Year</u>
Series 2007, refunding current interest bonds 12/01/16 maturity	\$ 970,000	\$ -	\$ (5,000)	\$ 965,000	\$ 10,000
Series 2007, refunding capital appreciation bonds 4.0% (effective interest), 12/1/14 maturity	25,000	-	-	25,000	-
Series 2007, refunding capital appreciation bonds accreted interest	<u>3,230</u>	<u>6,062</u>	<u>-</u>	<u>9,292</u>	<u>-</u>
Total	<u>\$ 998,230</u>	<u>\$ 6,062</u>	<u>\$ (5,000)</u>	<u>\$ 999,292</u>	<u>\$ 10,000</u>

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

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

Fiscal Year Ending June 30,	Current Interest Bonds Refunding Bonds (Series 2007)			Capital Appreciation Bonds Refunding Bonds (Series 2007)		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 10,000	\$ 38,578	\$ 48,578	\$ -	\$ -	\$ -
2011	10,000	38,178	48,178	-	-	-
2012	90,000	36,177	126,177	-	-	-
2013	90,000	32,578	122,578	-	-	-
2014	95,000	28,878	123,878	-	-	-
2015 - 2019	430,000	101,461	531,461	25,000	75,000	100,000
2020 - 2021	240,000	9,720	249,720	-	-	-
Total	<u>\$ 965,000</u>	<u>\$ 285,570</u>	<u>\$ 1,250,570</u>	<u>\$ 25,000</u>	<u>\$ 75,000</u>	<u>\$ 100,000</u>

E. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2009, are a voted debt margin of \$2,839,730 (including available funds of \$55,215) and an unvoted debt margin of \$46,217.

NOTE 10 - COMPENSATED ABSENCES

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 300 days for classified employees and 300 days for certificated employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 67 days for 2009, and 68 days for 2010.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the District's insurance coverage through Wausau Insurance Corporation was as follows:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Liability Limit</u>
Budiling and contents	\$ 1,000	\$ 29,415,392
Automobile liability	500	1,000,000
Uninsured motorists		1,000,000
General liability:		
Per occurrence		1,000,000
General aggregate		2,000,000

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

B. Workers' Compensation Program

For fiscal year 2009, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 2). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Forms and Publications*.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 12 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$84,139, \$85,355 and \$101,906, respectively; 42.98 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System of Ohio

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

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

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

Funding Policy - For fiscal year 2009, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 12 - PENSION PLANS - (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were \$455,180, \$443,648 and \$433,851, respectively; 84.75 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$5,865 made by the District and \$16,836 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2009, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, the actuarially determined amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$51,822, \$51,950 and \$37,236, respectively; 42.98 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$6,942, \$6,150 and \$7,443, respectively; 42.98 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$35,014, \$34,127 and \$33,373, respectively; 84.75 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

NOTE 14 - STATUTORY RESERVES

The 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 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.

	Textbook/ Instructional Materials	Capital Maintenance Reserve	Budget Stabilization
Set-aside balance as of June 30, 2008	\$ 395,463	\$ 240,341	\$ 70,567
Current year set-aside requirement	155,264	155,264	-
Qualifying expenditures	<u>(147,842)</u>	<u>(132,897)</u>	<u>-</u>
Total	<u>\$ 402,885</u>	<u>\$ 262,708</u>	<u>\$ 70,567</u>
Balance carried forward to fiscal year 2010	<u>\$ 402,885</u>	<u>\$ 262,708</u>	<u>\$ 70,567</u>

A schedule of the restricted assets at June 30, 2009 follows:

Amount restricted for budget stabilization	\$ 70,567
Amount restricted for capital acquisitions	262,708
Amount restricted for textbooks/instructional materials	<u>402,885</u>
Total restricted assets	<u>\$ 736,160</u>

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis); and,
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ 287,104
Net adjustment for revenue accruals	5,884
Net adjustment for expenditure accruals	(148,965)
Net adjustment for other sources/uses	(12)
Adjustment for encumbrances	<u>91,542</u>
GAAP basis	<u>\$ 235,553</u>

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 16 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 District at June 30, 2009.

B. Litigation

The District is a party to various legal proceedings seeking damages generally incidental to its operations. The District management is of the opinion that the disposition of the claims and legal proceedings will not have a material effect, if any, on the financial condition of the District.

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**WELLSVILLE LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
JUNE 30, 2009**

Federal Grantor/Pass Through Grantor Program Title	Pass-Through Entity No.	Federal CFDA No.	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster				
Non Cash Assistance:				
National School Lunch Program			27,323	27,323
Cash Assistance:				
National School Lunch Program	04-PU-09	10.555	199,565	199,565
National School Breakfast Program	05-PU-09	10.553	<u>58,731</u>	<u>58,731</u>
Cash Assistance Subtotal			258,296	258,296
Total U.S. Department of Agriculture - Nutrition Cluster (Cash and Non-Cash)			285,619	285,619
U.S. Department of Education				
<i>Passed Through Ohio Department of Education:</i>				
Title I - Grants to Local Educational Agencies (ESEA Title I)	C1-S1-2008 C1-S1-2009	84.010	39,215 <u>236,311</u>	32,382 <u>225,991</u>
Total Title I - Grants to Local Education Agencies			275,526	258,373
Special Education Cluster:				
Special Education Grants to States (IDEA Part B) Parent Mentor	6B-SF-2008 6B-SF-2009	84.027	85,990 <u>174,608</u>	49,240 <u>156,174</u>
Total Special Education Cluster			260,598	205,414
Innovative Education Program Strategies	C2-S1-2008 C2-S1-2009	84.298	1102 <u>96</u>	618 <u>802</u>
Total Innovative Education Program			1,198	1,420
Title II-A Improving Tchr Quality Program	TR-S1-2008 TR-S1-2009	84.367	12,946 <u>70,032</u>	11,264 <u>65,904</u>
Total Title II-A Improving Teacher Quality Program			82,978	77,168
Safe and Drug Free Schools and Communities - State Grants	DR-S1-2008 DR-S1-2009	84.186	-121 <u>4,245</u>	605 <u>3,552</u>
Total Safe and Drug Free Schools and Communities - State Grants			4,124	4,157
Education Technology State Grants Title II-D	TJ-S1-2008 TJ-S1-2009	84.318	110 <u>314</u>	301 <u>2,342</u>
Total Education Technology State Grants Title II-D			424	2,643
Rural and Low Income Title VIB		84.358	<u>13,583</u>	<u>18,289</u>
Total Rural and Low Income Title VIB			13,583	18,289
Total Department of Education			<u>638,431</u>	<u>567,464</u>
Total Federal Awards			<u>\$924,050</u>	<u>\$853,083</u>

See the notes to the Federal Awards Expenditures schedule.

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wellsville Local School District, Columbiana County, (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 4, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We considered finding 2009-003 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe finding 2009-003 is a material weakness.

We also noted certain matters that we reported to the District's management in a separate letter dated January 4, 2010.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2009-001 and 2009-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 4, 2010.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

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

Mary Taylor, CPA
Auditor of State

January 4, 2010



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Wellsville Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Wellsville Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated January 4, 2010.

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

Mary Taylor, CPA
Auditor of State

January 4, 2010

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2009-001

Noncompliance Finding

Ohio Revised Code Section 5705.41(D) provides that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the Treasurer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's Treasurer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a Treasurer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively of the Ohio Revised Code.

- 1. Then and Now Certificate** – If no certificate is furnished as required, upon receipt of the Treasurer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the District may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

If the amount involved is less than \$3,000 the Treasurer may authorize payment through a Then and Now Certificate without affirmation of the Board of Education if such expenditure is otherwise valid.

- 2. Blanket Certificate** – Treasurers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be, limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
- 3. Super Blanket Certificate** – The District may also make expenditures and contracts for any amount from a specific line item appropriation in a specified fund upon certification of the Treasurer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket may be outstanding a particular time for any line item appropriation.

The District did not certify the amount against the applicable appropriation accounts for 20% of tested expenditures in fiscal year 2009. The District did not utilize the certification exceptions described above for those expenditures lacking prior certification.

Failure to certify the availability of funds and encumber appropriations could result in overspending in negative cash balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, the Treasurer should certify that the funds are or will be available prior to obligation by the District. When prior certification is not possible, "then and now" certification should be used.

The District should certify purchases to which section Ohio Revised Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code Section 5705.41(D) requires authorizing disbursements. The Treasurer should sign the certification at the time the District incurs a commitment, and only when the requirements of Ohio Revised Code Section 5705.41(D) are satisfied. The Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials' Response

The Treasurer will certify that the funds are available prior to obligation by the District and when prior certification is not possible, "then and now" certification will be used.

FINDING NUMBER 2009-002

Noncompliance Finding

Ohio Revised Code Section 5705.41(B) prohibits a subdivision from making expenditure unless it has been properly appropriated.

The Title I Fund had disbursements which exceeded appropriations during fiscal year 2009 in the amount of \$41,008.

The District Treasurer should not certify the availability of funds and should deny payment request in excess of appropriations. The Treasurer may request the Board approve increased expenditure levels by increasing appropriations and amending estimated resources if necessary.

Officials' Response

The Treasurer will properly appropriate the amount of federal program money that has been awarded to the District.

FINDING NUMBER 2009-003

Material Weakness

Posting Receipts

The District did not correctly code and classify intergovernmental receipts resulting in adjustments to the financial statements. The Treasurer has agreed to and posted the adjustments to the Districts accounting records. The corrected amounts are reflected in the accompanying financial statements.

Adjustment -			
Fund Name	Account Type	Amount	Description
General	Intergovernmental Revenue	(\$10,012)	To adjust for Personal Property Tax reimbursement which was not properly allocated in accordance with the State Department of Taxation breakdown by levy.
Permanent Improvement	Intergovernmental Revenue	\$8,899	To adjust for Personal Property Tax reimbursement which was not properly allocated in accordance with the State Department of Taxation breakdown by levy.
Classroom Facilities	Intergovernmental Revenue	\$1,113	To adjust for Personal Property Tax reimbursement which was not properly allocated in accordance with the State Department of Taxation breakdown by levy.
Reclassification -			
Permanent Improvement	Intergovernmental Revenue	\$11,829	To reclassify Homestead/Rollback which was recorded as miscellaneous revenue.

Failure to consistently follow a uniform chart of accounts increases the possibility the District will not be able to identify, assemble, analyze, classify record and report its transaction correctly or to document compliance with finance-related legal and contractual requirements. The District Treasurer should maintain the accounting system to enable the District to identify, assemble, analyze, classify, record and report all transactions and to maintain accountability. All transactions should be properly coded and classified according to a chart of accounts to help ensure that financial activity of the District is accurately recorded and reported. In addition, the District should adopt procedures for the review of posted transactions and subsequent reporting on the financial statements.

Officials' Response

The Treasurer will correctly code and classify all transactions according to the chart of accounts.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

**WELLSVILLE LOCAL SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 Section .315 (b)
JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Ohio Revised Code Section 5705.41(D) Disbursements were not properly certified	No	Cited in the report as 2009-001.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on June 9, 2008.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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

Mary Taylor, CPA
Auditor of State

January 4, 2010